



**NGQUUSHWA LOCAL
MUNICIPALITY
FINAL ANNUAL**

**REPORT
2018/2019**

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ABBREVIATIONS/CONCEPTS AND MEANING

| ABBREVIATIONS/CONCEPTS | MEANING |
|---------------------------------------|---|
| Accountability documents | Documents used by executive authorities to give “ <i>full and regular</i> ” reports on the matters under their control to Parliament and provincial legislatures as prescribed by the Constitution. This includes plans, budgets, in-year and Annual Reports. |
| Activities | The processes or actions that use a range of inputs to produce the desired outputs and ultimately outcomes. In essence, activities describe “ <i>what we do</i> ”. |
| Adequacy indicators | The quantity of input or output relative to the need or demand. |
| ADM | Amatole District Municipalities. |
| AG | Office of the Auditor General. |
| Annual Report | A report to be prepared and submitted annually based on the regulations set out in Section 121 of the Municipal Finance Management Act. Such a report must include annual financial statements as submitted to and approved by the Auditor-General. |
| Approved Budget | The annual financial statements of a municipality as audited by the Auditor General and approved by council or a provincial or national executive. |
| Baseline | Current level of performance that a municipality aims to improve when setting performance targets. The baseline relates to the level of performance recorded in a year prior to the planning period. |
| Basic municipal service | A municipal service that is necessary to ensure an acceptable and reasonable quality of life to citizens within that particular area. If not provided it may endanger the public health and safety or the environment. |
| BTO | Budget and Treasury Office. |
| Budget year | The financial year for which an annual budget is to be approved – means a year ending on 30 June. |
| CBOs | Community Based Organizations. |
| CDWs | Community Development Workers. |
| Cost indicators | The overall cost or expenditure of producing a specified quantity of outputs. |
| DBSA | Development Bank of Southern Africa. |
| DEDEA | Department of Economic Development and Environmental Affairs. |
| DM | District Municipality. |
| Distribution indicators | The distribution of capacity to deliver services. |
| ECDC | Eastern Cape Development Corporation. |
| EPWP | Expanded Public Works Programmes. |
| Financial Statements | Includes at least a statement of financial position, statement of financial performance, cash-flow statement, notes to these statements and any other statements that may be prescribed. |
| FY | Financial Year |
| General performance indicators | After consultation with MECs for local government, the Minister may prescribe general key performance indicators that are appropriate and applicable to local government generally. |
| GDP | Gross Domestic Product. |
| HDI | Human Development Index. |

| ABBREVIATIONS/CONCEPTS | MEANING |
|---------------------------------------|--|
| HH | Households. |
| HOD | Head of Department. |
| HR | Human Resource. |
| IDP | Integrated Development Plan. |
| Impact | The results of achieving specific outcomes, such as reducing poverty and creating jobs. |
| Inputs | All the resources that contribute to the production and delivery of outputs. Inputs are "what we use to do the work". They include finances, personnel, equipment and buildings. |
| IT | Information Technology. |
| LED | Local Economic Development. |
| LM | Local Municipality. |
| MFMA | Municipal Finance Management Act. |
| MIG | Municipal Infrastructure Grant. |
| MOU | Memorandum of Understanding. |
| MPAC | Municipal Public Accounts Committee. |
| MSA | Municipal Systems Act (Act No. 32 of 2000). |
| National Key performance areas | Service delivery & infrastructure Economic development Municipal transformation and institutional development Financial viability and management Good governance and community participation |
| NGOs | Non-Governmental Organisations. |
| NLM | Ngqushwa Local Municipality. |
| NYDA | National Youth Development Agency. |
| Outcomes | The medium-term results for specific beneficiaries that are the consequence of achieving specific outputs. Outcomes should relate clearly to an institution's strategic goals and objectives set out in its plans. Outcomes are "what we wish to achieve". |
| Outputs | The final products, or goods and services produced for delivery. Outputs may be defined as "what we produce or deliver". An output is a concrete achievement (i.e. a product such as a passport, an action such as a presentation or immunization, or a service such as processing an application) that contributes to the achievement of a Key Result Area. |
| PDOHS | Provincial Department of Human Settlements |
| Performance Indicator | Indicators should be specified to measure performance in relation to input, activities, outputs, outcomes and impacts. An indicator is a type of information used to gauge the extent to which an output has been achieved (policy developed, presentation delivered, service rendered) |
| Performance Information | Generic term for non-financial information about municipal services and activities. Can also be used interchangeably with performance measure. |
| Performance Standards: | The minimum acceptable level of performance or the level of performance that is generally accepted. Standards are informed by legislative requirements and service-level agreements. Performance standards are mutually agreed criteria to describe how well work must be done in terms of quantity and/or quality and timeliness, to clarify the |

| ABBREVIATIONS/CONCEPTS | MEANING |
|--|---|
| | outputs and related activities of a job by describing what the required result should be. In this EPMDS performance standards are divided into indicators and the time factor. |
| Performance Targets: | The level of performance that municipalities and its employees strive to achieve. Performance Targets relate to current baselines and express a specific level of performance that a municipality aims to achieve within a given time period. |
| PGDP | Provincial Growth and Development Plan. |
| PMS | Performance Management System. |
| PMU | Project Management Unit. |
| Service Delivery Budget Implementation Plan (SDBIP) | Detailed plan approved by the mayor for implementing the municipality's delivery of services; including projections of the revenue collected and operational and capital expenditure by vote for each month. Service delivery targets and performance indicators must also be included. |
| SDF | Spatial Development Framework. |
| SME | Small Micro Enterprise. |
| Vote: | One of the main segments into which a budget of a municipality is divided for appropriation of money for the different departments or functional areas of the municipality. The Vote specifies the total amount that is appropriated for the purpose of a specific department or functional area. |
| WSA | Water Service Authority. |
| WSDP | Water Service Development Plan. |
| WSP | Water Service Provider. |
| WTW | Water Treatment Works. |

CHAPTER 1

COMPONENT A: MAYOR'S FOREWORD

The 2018/2019 Annual Report of Ngqushwa Local Municipality has been prepared in line with the provisions of various pieces of legislation namely: The Local Government: Local Government Municipal Systems Act 2000 read together with the provisions of the Local Government Municipal Finance Management Act 56 of 2003. Section 121(1) of the Local Government Municipal Finance Management Act 2003, which states that:

"Every municipality and every municipal entity must for each financial year prepare an annual report in accordance with this chapter. The council of a municipality must within nine months after the end of the financial year deal with the annual report of the municipality and of any municipal entity under the municipality's sole or shared control in accordance with section 129"

The 2018/19 municipal financial year commenced on 1 July 2018 and ended on 30 June 2019. It is my privilege to present the 2018/19 Draft Annual Report of Ngqushwa Municipality to the community of Ngqushwa and all its stakeholders. The five-year term of local government provides an opportunity for Ngqushwa Local Municipality to review the previous term's performance and improve thereof.

During the 2018/19 financial year, Ngqushwa Local Municipality made good progress in fulfilling its constitutional obligations of delivering basic services to the communities guided by its vision of "a catalyst of integrated community driven service delivery,

Ngqushwa community played a key role in achieving our goals by participating in the public participation structures and platforms that we have such as ward committees meetings, IDP/PMS and Budget Rep forums and IDP/PMS Road shows. Your contributions enabled us to confirm where our key challenges lie and construct a plan to address these challenges

The Annual Report is one of the highly reputable tools of government and in terms of accountability, to assess the effectiveness of the Municipality and the impact it has on the community or residents. It also gives an overview of the state of financial affairs of the Municipality and the administrative and governance maturity levels of the institution.

We are proud to say that our capital budget for the year was utilized effectively and some of our flagship projects include:

- Construction of 7 Community halls
- Surfacing of Peddie Town
- Re-gravelling of internal roads (27.5 km)

We also have two (2) pilot projects that are in Local Economic Development Sector. They are as follow:

- Aloe project
- Apiculture (Beekeeping project)

Due to concerted efforts of both political and administrative leadership the Municipality also achieved the following:

- The Municipality supported 36 unemployed youth by enrolling them in an Apprenticeship programme for boiler-making and welding, the programme is for 3 years wherein at the end they will receive a diploma in Boiler-making and welding this will improve the skills base within Ngqushwa.

- The Municipality in support of sporting activities hosted a Ngqushwa Horse racing heritage event, the Mayor sees the introduction of this horse racing as something that will not only teach or show the youth the heritage of the forefathers but also as means of making profits and changing lives of the people. The municipality in partnership with the department of Rural Development and Agrarian Reform (DRDAR) made a huge impact by providing fodder, blankets, saddles and bridles for Ngqushwa indigenous horses to equip them for the Berlin November and this prides the municipality as there were no disqualified horses due to poor nutrition.
- The municipality also assisted an A-plus student from Pamla High School.

Future actions

The Municipality has packed 4 anchor projects as a starting point, namely:

- Beach Front Upgrade
- Hamburg Town Revitalization
- Aquaculture Project Expansion
- Commercial property Development

Ngqushwa Local Municipality has created employment through skills and development (LGSETA), EPWP and CWP, and we are proud to say we have created 1336 jobs during the 2018/2019 financial year.

In conclusion, I would like to express my gratitude to every community member, Ward Committee members, Councillors, management and staff members for their support during the year under review.



Cllr M.T Siwisa

Mayor

COMPONENT B: EXECUTIVE SUMMARY BY THE MUNICIPAL MANAGER

The 2018/19 Annual Report serves a communication tool that reflects an overview of the municipal activities, performance in service delivery and financial position aimed at improving the lives of Ngqushwa communities. With the declining economic condition placing extra burden on the Municipality, it became evident that the 2018/19 financial year was a difficult year.

With this said Ngqushwa Local Municipality remained focused on accomplishing our strategic goals and the creation of environment conducive for financial stability, the promotion of organisation well-being and ultimately the improvement of effective and efficient service delivery for all communities. The Municipality focus intensely on ensuring that the vision and mission of the organisation was clearly brought across to the public.

1) Administrative Functionality

The administration has been stronger than ever and with the support and guidance of Council we have made a remarkable strides in achieving our vision "To be the preferred, vibrant, socio-economically developed municipal area that embraces a culture of human dignity, good governance and characterised by good quality of service for all.

2) Performance Management

The performance management policy was reviewed and individual performance workshops were held with the Senior Managers and Middle Manager. The aim of this exercise was not only to prepare them for the coming financial year but also to create a performance culture throughout the entire organisation. For the 2018/19 financial year institutional annual performance is 82% (Audited) which shows an improvement by 10% as compared to 72% of 2017/18 financial year. All senior managers are appointed to execute the administrative functions of the municipality.

3) Communication

Municipality has implemented several communication systems to keep the public abreast with the progress and information that affects them. After the implementation and successful execution of newsletter, a messaging system proceeded and established a social media presence. This platform has ensured that we have interactive, real time communication with our communities

4) LED

Ngqushwa Local Municipality is one of Municipalities in Eastern Cape where The Federation of Canadian Municipalities in partnership with the South African Local Government Association (SALGA) are piloting BIGM program over a period of 52 months. The BIGM program aims to improve the capacity of South African municipalities to support effective service delivery, inclusive local green economic growth and enhanced climate change mitigation and adaptation measures.

The program is piloting local economic development initiatives in six Eastern Cape municipalities to:

- Promote job creation
- Poverty reduction, and
- Enhanced well-being, while empowering women, youth and vulnerable groups, and ensuring their inclusion as decision makers and beneficiaries.

We as organisation are determine to ensure that we meet our strategic objectives of Local Economic Development. We have placed our focus on job creation within the areas via EPWP and CWP .We are pleased to have a good relationship with our LED stakeholders and looking forward to the coming financial year to make a new and improved changes in the LED environment.

5. Good governance

Good governance remains crucial to the success of the organisation and the value of a well-functioning Council with its Committee structures, as well as Ward Committees cannot be overstated by the institution. The Municipality ensure that all reasonable steps to ensure that the Municipality has and maintains effective, efficient and transparent system of financial, risk management and internal control are effectively implemented.

Risk Management Initiatives and actions performed

- An annual risk assessment conducted
- Monthly monitoring on the status of the strategic and operational risk register as well as quarterly reporting.

The Municipal Council adopted policies during the year under review.

6. Public participation

The municipality realises that community participation is a major implication on democratising service delivery. Therefore, we continue to utilize space for public participation programmes where we communicate regularly with communities and disseminate relevant information through structures that are in place.

7. Financial Sustainability

The financial viability of Ngqushwa Local Municipality has not improved as several problems stills prevail and our communities still very dependent on Grant funding. We are considerate of indigent people to receive goods and services such as housing, water and sanitation, refuse removal and electricity.The municipality has developed the following strategic document that will respond to the needs of the community of Ngqushwa:

- Financial Recovery Plan

8. Joint projects and functions with Sector Departments

The Municipality share the area and community with other spheres of government and has to work closely with National, Provincial department and District Municipality to ensure effective implementation of various projects and functions.

I commend all my staff, irrespective of rank for their respect, commitment dedication, loyalty and hard work that contributed to a successful year. I also acknowledge the good relationship that prevailed with sector departments and organised labour.In conclusion, I would like to thank the Mayor Cllr T.M Siwisa, Executive Committee, Councillors, Senior Managers and staff who dedicated themselves and worked hard in ensuring that the people of Ngqushwa benefit from improved quality of life in a sustainably functional municipal area.



Ms. M.P. Mpahlwa
Municipal Manager

| 2018/19 MUNICIPAL PROGRAMMES QUARTER 1: JULY – SEPTEMBER 2018 | | | | | | | | | |
|--|--|---|--|---|-----------------|--|------------------------------|----------|--|
| No | Key Communication Activity per Communication Circle | Programme | Messenger/Dept. responsible | Messenger | Target Audience | Channel | Time Frame | Comments | |
| 1. | Mandela Day | Mandela Day | Amathole District Municipality, Department of Social Development, SPU, Public Participation and Communications | Mayor, Municipal Manager, Communications Unit | Communities | Electronic media, Print Media, posters | 18 July 2018 | Done | |
| 2. | Women's celebrations | Peddie Women's Rugby Tournament | DSRAC, SPU, Manager Mayor and Communications | Mayor, Municipal Manager | Communities | Posters and flyers, Municipal Facebook page | 03 rd August 2018 | Done | |
| 3. | Provincial EXCO Outreach Programme, Local War Room Launch AND Project Launch – Shushu Community Hall | Imbizo - Community Dialogue and Launch of Shushu Community hall | Office of the Premier, ADM, Mayor's Office, Municipal Manager, 'Public Participation Unit | Premier of the Eastern Cape, MEC for Department of Human Settlements, ADM Mayor, Ngqushwa Mayor, Municipal Manager, | Communities | Electronic Media, Posters , website, Municipal Facebook page | 23 August 2018 | Done | |

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|----|---|--|--|--------------------------|---|---|-------------------|----------|
| 4. | Project Launch | Keiskamma Valley Packshed Project launch | Department of Rural Development and Agrarian Reform(DRDAR), Mayor's Office, Municipal Manager, Public Participation Unit | MEC for (DRDAR), Mayor | Communities | Electronic Media, Newspapers, Posters, website, Municipal Facebook page | 28 August 2018 | Done |
| 5. | IDP/Budget and PMS Representative Forum | Presentation of process plan to stakeholders for 2019/20 | IDP/PMS Office, Public participation | Mayor, Municipal Manager | Council, Ward Committees and Communities | Newspaper advert, website, Municipal Facebook page | 12 September 2018 | Done |
| 6. | Local War Rooms | Working jointly with other spheres of government and stakeholders to coordinate actions in order to function and provide services to the people. | Communications, Mayor's Office | Mayor, Municipal Manager | All Government Departments with concerns raised during ward war room sessions | Emails and Memos | Quarterly | Not done |

| QUARTER 2: OCTOBER – DECEMBER 2018 | | | | | | | | | |
|------------------------------------|---|---|---|---|-----------------------------|---|-----------------|----------|--|
| No | Key Communication Activity per Communication Circle | Programme | Messenger/Dept. responsible | Messenger | Target Audience | Channel | Time Frame | Comments | |
| 1. | Heritage & tourism month programmes | Hiking Trail at Ndlambe village | Tourism Communications, Communities and Public Participation Unit, government departments(DEDEAT, ADM, ECPTA) | Mayor, Municipal manager | Community, Tourism students | Electronic media, Posters and flyers, Facebook page, WhatsApp | 05 October 2018 | Done | |
| 2. | MPAC Annual Report Roadshows | Tabling of Annual Report to stakeholders | Office of the Mayor, IDP and PMS Office, and Communications Unit | Mayor, Municipal Manager, Communications Unit | All Stakeholders | Electronic Media, Posters and flyers, Website | October 2018 | Done | |
| 3. | Ancient Sport Activity: Horse Racing | Horse Racing at Ngqwele Location (Ward 1) | SPU and Office of the Mayor, Communications, Tourism Office | Mayor | Communities | Electronic media, Posters, Flyers, Facebook Page, Website, WhatsApp | October 2018 | Done | |

| | | | | | | | | |
|----|--|--|---|--|---|--|--------------------------|----------|
| 4. | Customary Male Initiation Programme (Ulwaluko) | Consultation with Traditional Councils, Surgeons and Nurses. Awareness on Act regulating the practice. | Dept. of Health, Dept. of Soc. Dev, COGTA and Education | Office of the Speaker | Stakeholders relating to the practice | Memo and SMS through Database of Practitioners | November 2018 | Done |
| 5. | IDP/Budget and PMS Representative Forum | Presentation of situation analysis to stakeholders for 2019/20 | IDP/PMS Office, Public participation | Mayor, Municipal Manager | Council, Ward Committees and Communities | Newspaper advert, website, Municipal Facebook page | 15 November 2018 | Done |
| 6. | 16 Days of Activism | Candle lightening 16 days of activism | SPU | OMM SPU, Mayor and Speakers Office and Communications | Municipal Employees Community, Council, Government Department | Print and Electronic media, leaflets/flyer, website, Municipal Facebook page | November – December 2018 | Done |
| 7. | World Aids Day | | SPU, Sector Department and Public Participation | SPU, Communications, DoH, Love Life, Peddie Women Support Centre | | Community Print Media, Street Banners, Loud hailing, flyer, Posters, adverts | 01 December 2018 | Not Done |

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|----|---|--|--|---|----------------------|--|----------------|------|
| 8. | Mayor's X-mas party for orphans, vulnerable groups & Elderly people | Christmas for Older Persons &Vulnerable children's | Office of the Mayor, SPU and Communications Unit | Mayor, Municipal Manager, Communications Unit | Children and old Age | Electronic Media, Posters and flyers, Website | Decemb er 2018 | Done |
| 9. | Opening of Festive Season | Switch on of Christmas lights for opening of festive season. | Tourism Unit, Communications | Tourism Manager Mayor, Municipal Manager | All Communities | Electronic Media, Print Media Brochures, flyers, posters, website etc. | Decemb er 2018 | Done |

QUARTER 3: JANUARY – MARCH 2019

| No | Key Communication Activity per Communication Circle | Programme | Messenger/Dept. Responsible | Messenger | Target Audience | Channel | Time Frame | Comments |
|----|---|---|--|---|------------------------------|---|---------------------|----------|
| 1. | Back to School Campaign | Mayor visited two schools (Amazizi High School and Pamla High School). The Mayor handed over items to Mr Emihle May (post grade 12 learner) who progressed with 6 distinctions. Now a student at UCT. | Office of the Mayor, SPU and Communications Unit | Mayor, Municipal Manager, Communications Unit | Vulnerable groups (Children) | Ngquhwa FM, Tru FM, Municipal Facebook page | 21 January 2019 | Done |
| 2. | Technical strategic session | Planning for 2019/20 Financial year | Executive Managers and Office of the Municipal Manager | MM, Middle Managers | HODs and Middle Managers | Emails, Group WhatsApp, Facebook page | 30-01 February 2019 | Done |
| 3. | Awareness of General Valuation | Workshop on values of properties that are listed on General Valuation | BTO, Public Participation Unit, Communications | Mayor, Municipal Manager, CFO | Communities | Electronic Media, Posters and flyers, website, Municipal Facebook page, loudhailing | 13-14 February 2019 | Done |

| | | | | | | | | |
|----|--|--|--|---------------------------|-------------|--|-------------------|------|
| 4. | State of the Province Address (SOPA) | Address on the State of the Province – PVA Screen at Ncumisa Kondlo Indoor Sports Centre | Communications Unit Mayor Office, Speakers All departments | Premier of the Province | Community | Done by Office of Premier and GCIS, Internal Notice board, Email, Facebook Page, loudhailing | 15 February 2019 | Done |
| 5. | Community Engagement | Introduction of Service Provider (Refurbishment of Glenmore Sports field) | Communications Unit, Mayors Office, Technical Services | Mayor | Community | | 05 April 2019 | Done |
| 6. | Launch of Project - Bhele Community Hall | Handover of Community hall to Bhele Community | PMU, Public Participation Unit, Communications | Mayor, Municipal Manager | Communities | Electronic Media, Posters and flyers, website, Municipal Facebook page, loudhailing | May 2019 | Done |
| 7. | Launch of project- Rode Community Hall | Handover of Rode Community Hall | PMU, Public Participation, communications | Mayor, Municipal Manager | Communities | Electronic Media, Posters and flyers, website, Municipal Facebook page, loudhailing | 29 March 2019 | Done |
| 8. | Development of Milestone booklet from 206-2018 | Development of Milestone booklet from 206-2018 | Communications, Public Participation Unit | Mayor and all Councillors | Communities | Distribution of Milestone booklet | March – June 2019 | Done |

| QUARTER 4: APRIL - JUNE 2019 | | | | | | | | |
|------------------------------|---|---|--|---|--|--|---------------|----------|
| No | Key Communication Activity per Communication Circle | Programme | Messenger/Dept. responsible | Messenger | Target Audience | Channel | Time Frame | Comments |
| | Handover of school shoes to Ngqushwa learners | Handing over of 300 pairs of school shoes to learners | Office of the Mayor, SPU and Communications Unit | Mayor, Municipal Manager, Communications Unit | Vulnerable groups (Children) | Electronic Media, Posters and flyers, Website whatsapp | 06 April 2019 | Done |
| 2. | IDP and Budget Roadshows | Bringing service delivery initiatives planned for the community | IDP/PMS Manager, Public Participation | Mayor | Communities and government departments | Poster, flyers, Electronic media, Social networks | April 2019 | Done |
| 3. | Imvuselelo – Revival | The Amathole District Municipality in Partnership with Ngqushwa Local Municipality embarked on a show/ revival programme that restores hope, shuns grief and despondency through the word of God. | Posters, Umhlobo Wenene FM and Facebook | Done | Communities | Posters, Loud hailing Umhlobo Wenene FM | 05 May 2019 | Done |

| | | | | | | | | |
|---------|--|---|--|---------|--|---|-------------|------|
| 4. . | Isikhumbuzo saseMqwashini | Celebration of Mqwashu (Milkwood Tree) | Tourism Unit, Communications Unit, NGO's | Mayor | Communities | Electronic Media, Posters and Loudhailing | 14 May 2019 | Done |
| 5. | Send off of 38 MerSeta Learnership Programme | Ngqushwa Local Municipality Council bid farewell to 38 learners who are currently enrolled for Boiler Making and Welding with MerSeta Learnership programme. The learners were heading off to Johannesburg for training and development for a period of six months. | Ngqushwa FM and Municipal Facebook page | Mayor | Communities | Ngqushwa FM and Municipal Facebook page | 17 May 2019 | Done |
| 6. | Ulwaluko Season Awareness | Customary male Initiation Programme | Office of the Speaker, Public Participation, | Speaker | Visit to all houses of traditional Leaders | Electronic media, Poster, and invitation | June 2019 | Done |

MUNICIPAL MANAGER'S OVERVIEW

MUNICIPAL OVERVIEW

1.1.1 VISION AND MISSION

The Ngqushwa Local Municipality committed itself to the following vision and mission:

VISION

To be the preferred, vibrant, socio-economically developed municipal area that embraces a culture of human dignity, good governance and characterized by good quality of service for all.

MISSION

Ngqushwa Local Municipality will strive to become a benchmark institution in the country in respect of good quality and affordable services, through effective resource mobilization and management, stimulation of economic growth, and good governance practices.

MUNICIPAL CORE VALUES/STANDARDS

Linked to the mission, the municipality identified the following **CORE VALUES** to be adhered to by the Councillor s, management and the officials of the Municipality for all the interactions with customers:

- **Competency**- We commit to attract and retain a competent workforce to service our customers.
- **Honesty and Integrity**-We will demonstrate complete honesty and integrity in everything we do.
- **Diligence**-We will demonstrate caution, commitment and due diligence in discharging our duties.
- **Transparency**-We will be transparent and fair in all our dealings for utmost accountability.
- **Accountability**-We will create an environment to be held to account by our stakeholders and customers.
- **Professionalism**-We will always uphold and maintain a professional behaviour in executing our mandate and individual responsibilities for the furtherance of service delivery.
- **Value for Money**-We commit derive value for money as return on investment in all business engagements with service providers.

1.2 MUNICIPAL FUNCTIONS, POPULATION AND ENVIRONMENTAL OVERVIEW

1.3.1 GEOGRAPHIC PROFILE

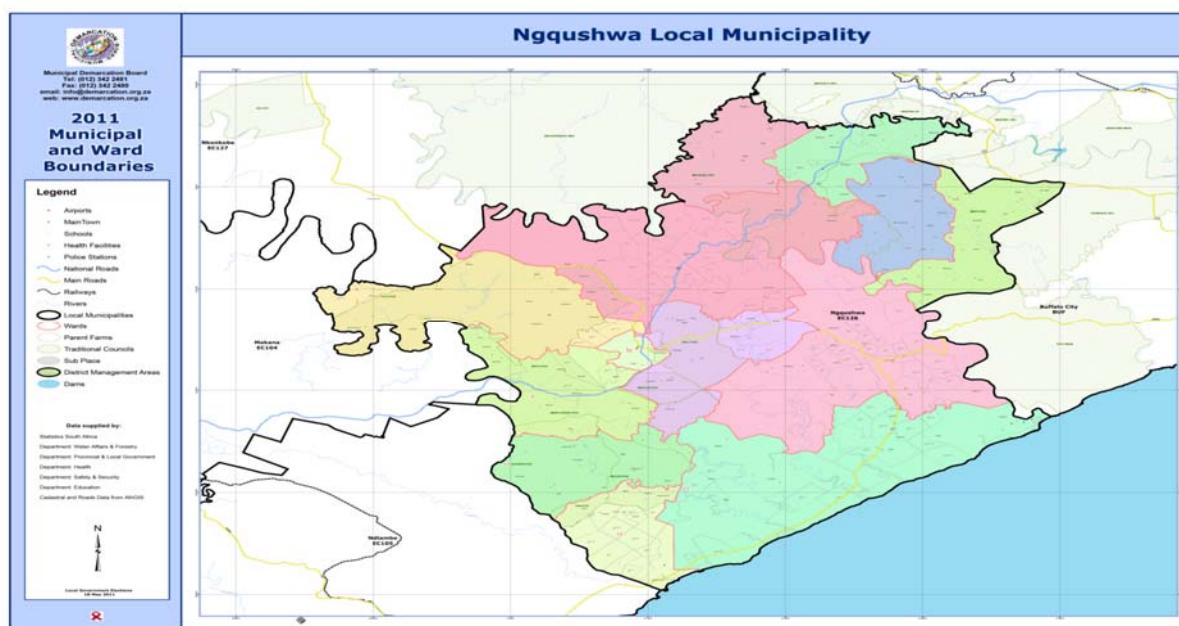
Ngqushwa Local Municipality falls within the jurisdiction of the Amathole District Municipality which is situated in the Eastern Cape Province. Amathole District Municipality covers an area of 23 573km² and the Ngqushwa Municipality area covers 2245 square kilometres which accounts for 10% of the district. Ngqushwa is located in the west of the Amathole district and consists of two towns Peddie and Hamburg, a portion of King Williams Town villages. It is one of the six municipalities that fall within the Amathole District Municipality.

The administrative seat of the Municipality finds itself in Peddie and the municipal area is divided into 12 wards which consists of 108 villages. Ngqushwa is bordered by the Great Fish River to the west and the Keiskamma River to the East. The southern boundary comprises a part of the coastline of the Indian Ocean.

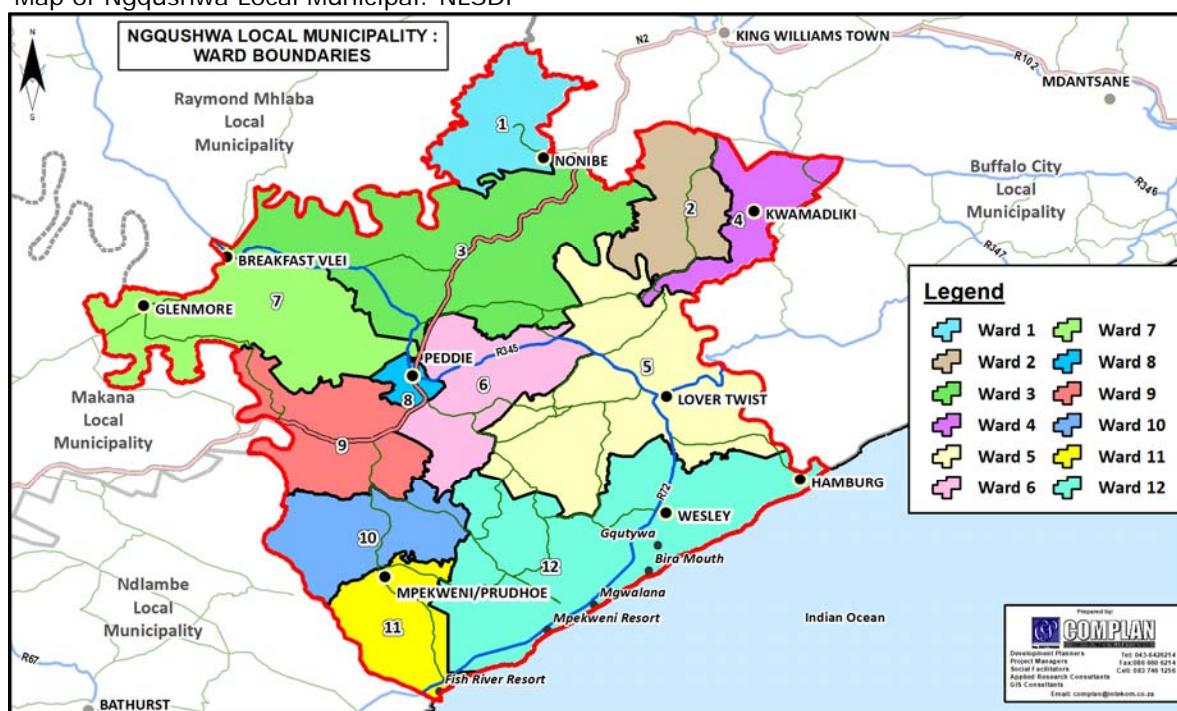
WARDS AND VILLAGES

| Ward | Villages |
|------|--|
| 1 | Zalara, Mtati, Tyeni, Ngqwele, Bhele, Nonibe, Gobozana, Nxopho |
| 2 | Upper & Lower Mthombe, Thyatha, Mtyholo, Qugqwala, Dlova, Nquthu, Tildin, Tapushe, Rode, Zimbaba & Mavathulana. |
| 3 | Qawukeni, Mabongo, Khalana, Shushu, Ntsinekana, Mqwashu, Bongweni A, Gcinisa North, Hlosini, Bongweni B, Nqwenerhana, Crossman/ Mgwangqa, Nomonti & Torr |
| 4 | Machibi, Upper & Lower Dube, Madliki, Phole, Moni, Ngxakaxha & Mdolomba |
| 5 | Tyityaba/Ferndale, Bodium, Bell, Lover's Twist, Crossroads, Tuku A, B & C, Wooldridge, Hoyi, Leqeni, Begha, |
| 6 | Cisira, Feni, Dam-dam, Makhahlane, Celetyuma, Mahlubini/Nyaniso |
| 7 | Ndlambe, Ndwayana, Glenmore, Qamnyana, Gwabeni, Mankone, Horton, Maqosha, Luxolo & Rura |
| 8 | Peddie Town, Peddie Extension, Power, Luxolweni, German village, Durban Location |
| 9 | Runletts, Woodlands, Pikoli, Nobumba, Ntloko, Mgwalana, Lewis & Paradise |
| 10 | Mtati, Ngqowa, Upper Gwalana, Mabaleni, Ntshamanzi, Newtondale, Maxhegweni, Upper Qeto, Lower Qeto, Lower Mgwalana, eSingingqini |
| 11 | Mpheko, Mgababa, Prudhoe, Mkhanyeni |
| 12 | Hamburg, Benton, Gcinisa-South, Wesley, Bhingqala/Soweto, Mqheleni, Tarfield/Nier, Qobogobo/Nuloets, Daninge |

BELOW IS THE MAP OF NGQUSHWA LOCAL MUNICIPALITY



Map of Ngqushwa Local Municipal: NLSDF

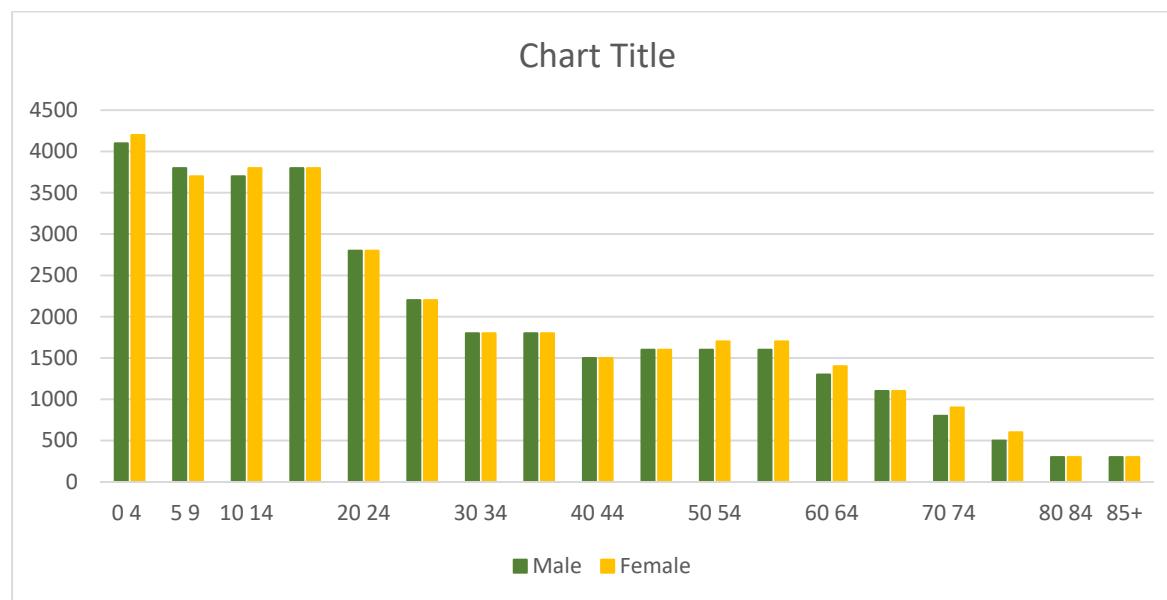


DEMOGRAPHIC PROFILE:

Ngqushwa Local Municipality has an estimated population of 66 227 (Stats SA: 2016 figures). Compared to the previous census figures before 2011 the number of Ngqushwa population has decreased by 8.1%. Table below shows a summary of key statistics by gender from Stats SA (2016):

| WARD | POPULATION BY WARD | | |
|--------------------|--------------------|--------------------|----------------|
| | MALE | FEMALE | TOTAL |
| 1 | 2 593 | 2 962 | 5 555 |
| 2 | 2 899 | 3 166 | 6 065 |
| 3 | 2 658 | 2 902 | 5 560 |
| 4 | 2 789 | 3 041 | 5 830 |
| 5 | 2 798 | 3 167 | 5 965 |
| 6 | 2 531 | 2 812 | 5 343 |
| 7 | 2 543 | 2 847 | 5 390 |
| 8 | 2 323 | 2 688 | 5 011 |
| 9 | 2 322 | 2 574 | 4 896 |
| 10 | 2 658 | 3 120 | 5 778 |
| 11 | 2 180 | 2 603 | 4 783 |
| 12 | 2 827 | 3 224 | 6 051 |
| GRAND TOTAL | 31 121 | 35 106 | 66 227 |
| | 47% MALES | 53% FEMALES | OVERALL |

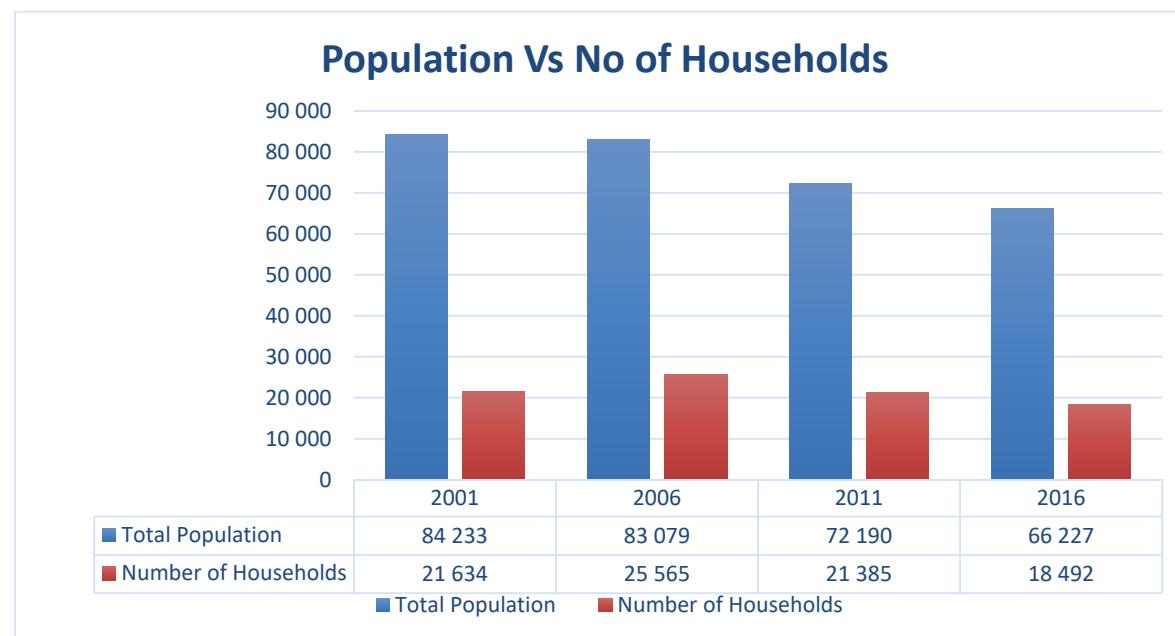
Figure : Below shows sex and age in completed years



Above figures reflected a high dependency rate with numbers of children aged between 0 and 19 years, school going age estimated at 28 800 with approximately 14 899 being males and 13 901 females. On the other hand, the numbers of those who fall above the economically active population (above 60 years) are estimated at 11 675. Of those, approximately 7 260 are women and about 4 415 were men. This indicates that the total number of children, youth and elderly is 40 475 which accounts for about 56% of the total population which is very promising. This was very high and indicated that the municipality had to focus more efforts and funding towards children and youth

development as well as caring for the aged. There was a high rate of school drop outs as well as high unemployment rate (Stats SA, 2016). This further promoted the need to develop social and youth development programs, provision of basic services and vigorous job creation programs going forward towards 2022.

POPULATION VS NO OF HOUSEHOLDS



HOUSEHOLDS

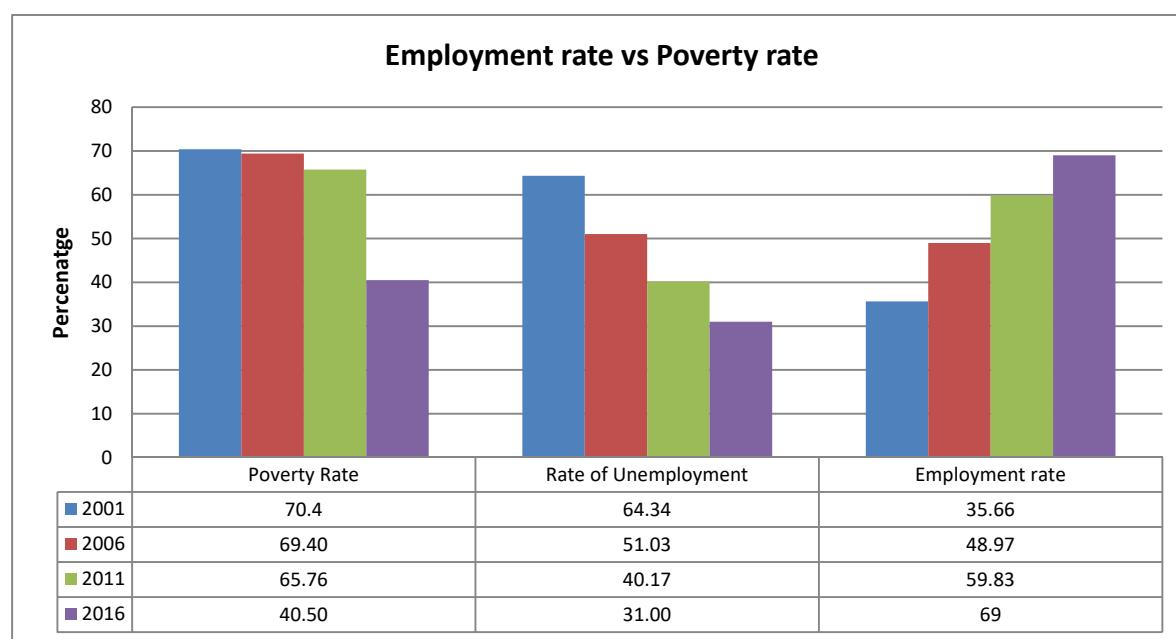
The table below gives an overview of common statistics of Ngqushwa Local Municipality according to the official census done by Stats SA.

| Demographic profile of Ngqushwa Local Municipality | | |
|--|--------|--------|
| | 2016 | 2011 |
| Population | 66 227 | 72 190 |
| Age Structure | | |
| Population under 15 | 31.1% | 29.9% |
| Population 15 to 64 | 60.8% | 58.3% |
| Population over 65 | 8.1% | 11.8% |
| Dependency Ratio | | |
| Per 100 (15-64) | 64.6 | 71.5 |
| Sex Ratio | | |
| Males per 100 females | 88.9 | 88.7 |
| Population Growth | | |
| Per annum | -0.55% | n/a |
| Education (aged 20 +) | | |

| | | |
|------------------------------------|--------|--------|
| No schooling | 7.8% | 14.1% |
| Matric | 21.4% | 14.5% |
| Higher education | 5.3% | 3.7% |
| Household Dynamics | | |
| Households | 17 149 | 19 471 |
| Average household size | 3.7 | 3.1 |
| Female headed households | 51.7% | 51.0% |
| Formal dwellings | 72.9% | 71.6% |
| Housing owned | 70.7% | 80.9% |
| Household Services | | |
| Flush toilet connected to sewerage | 8.0% | 5.0% |
| Weekly refuse removal | 8.8% | 7.2% |
| Piped water inside dwelling | 7.2% | 6.5% |
| Electricity for lighting | 96.0% | 91.4% |

ECONOMIC INDICATORS:

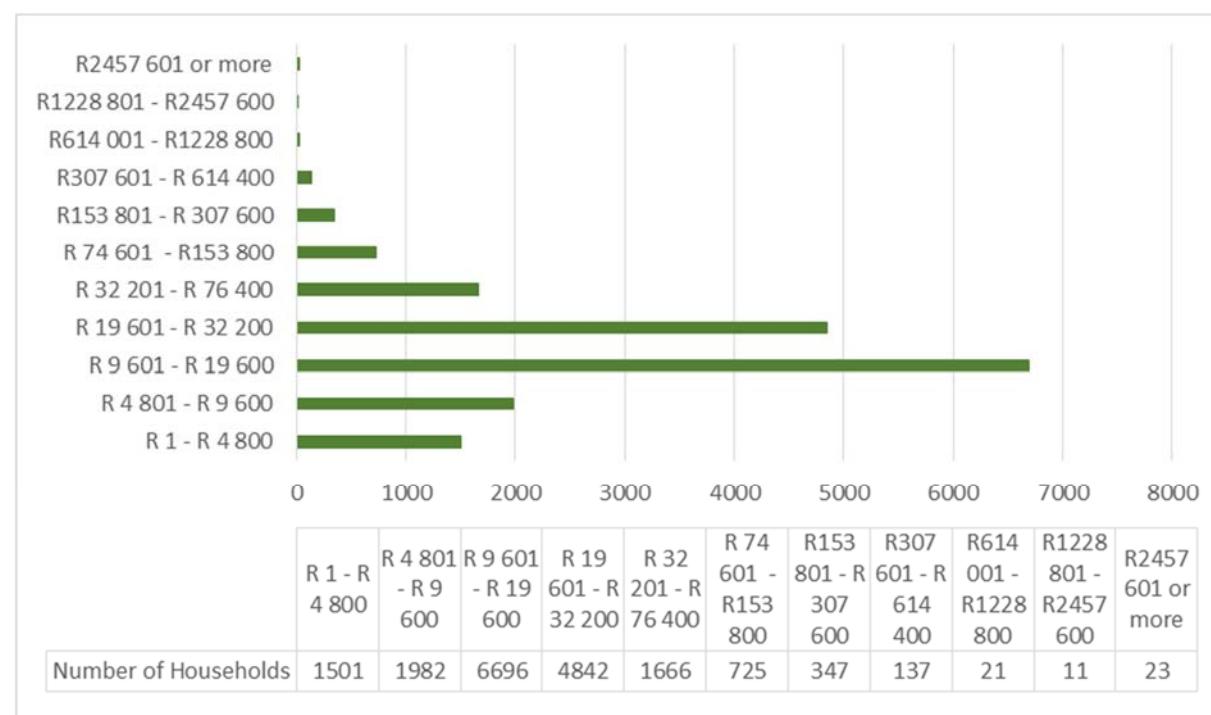
Figure : Employment rate vs. poverty



Source: Stats SA : 2016

Figure : Above reflects decreasing poverty levels between 2001, being about 70.4 % to 40.50% in 2016. The rate of unemployment on the other hand also shows a decrease from 64.34% in 2001 to 31% in 2016. The employment rate has increased from 35.66% in 2001 to 69% in 2016.

Ward meetings cited poverty and unemployment as one of the major challenges. These meetings also suggested that government should provide more support to orphans and child-headed households.



Source: Stats SA (Census 2011)

Figure 5 reflects the majority of households earning very low incomes. Statistics SA (2011) information shows the number of the employed households being 11 538 earning between R9 601 and R38 200 per annum. Ward meetings revealed that the majority of the population relies heavily on social grants. They raised that there is a need for projects to provide the community with food security. Proposals for skills development and provision of institutions of higher learning that will ensure improvement of the labour force also came up strongly from the wards

1.3 SERVICE DELIVERY OVERVIEW

| Service Delivery Standards | |
|----------------------------|--|
| Service | Percentage |
| Access to Water | 93% |
| Access to Sanitation | 64.30% |
| Access to Electricity | 94% |
| Access to Roads | 11.28 kms surface roads in very bad condition; 160kms gravel roads in very good condition; 532km earth roads in very bad condition Total roads network = 705kms |

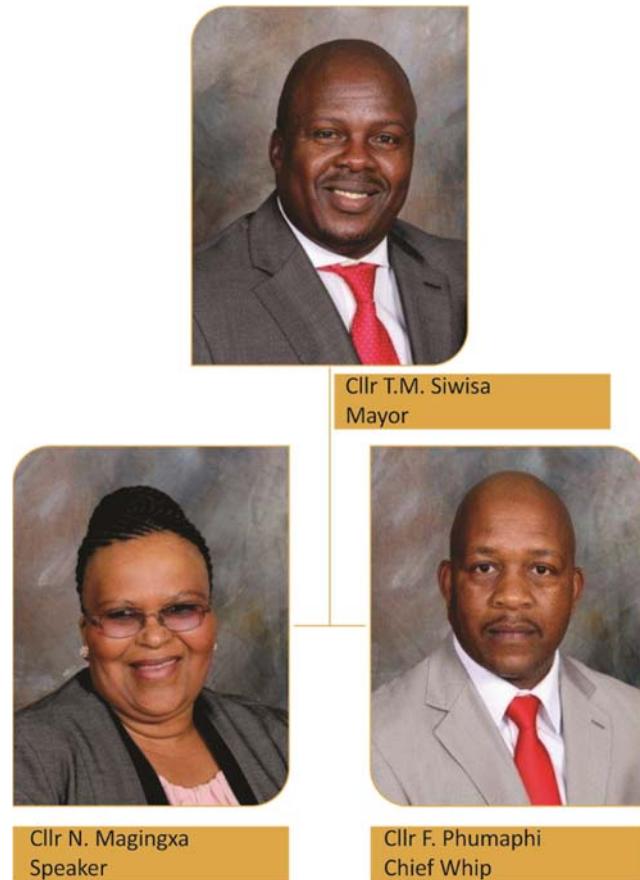
CHAPTER 2

COMPONENT A: POLITICAL AND ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO GOVERNANCE:

Ngqushwa Local Municipality is a Category B which forms part of the six (6) local municipalities under the Amathole District Municipality (ADM). A local municipality is a type of municipality that serves as the third, and most local, tier of local government.

POLITICAL GOVERNANCE STRUCTURE



Ngqushwa Local Municipality has a total number of 12 Ward Councillors and 10 Proportional Representatives including the Mayor and the Representative of the opposition party. Refer to **Appendix A** for a full list of Councillors, committee allocations and attendance at council meetings. Also included are committees and committee purposes.

The Council performs both legislative and executive functions. It focuses on legislative, oversight and participatory roles, and has delegated its executive function to the Executive Committee. Its primary role is to debate issues publicly and to facilitate political debate and discussion. Apart from their functions as policy makers, Councillors are also actively involved in community work and the various special programmes in the municipal area.

| POLITICAL STRUCTURE | FUNCTION |
|--|---|
| MAYOR: Cllr. T.M Siwisa | FUNCTION: The Mayor of a municipality: <ul style="list-style-type: none"> • Presides at meetings of the executive committee; and • Performs the duties, including any ceremonial functions, and exercises the powers delegated to the Mayor by Municipal Council or the Executive Committee. |
| SPEAKER: Cllr. N .Magingxa | FUNCTION: The Speaker of a municipal council: <ul style="list-style-type: none"> • Presides at meetings of the council; • Performs the duties and exercises the powers delegated to the speaker in terms of section 59 of the Local Government: Municipal Systems Act, 2000 (Act No. 32 of 2000); • Must ensure that the council meets at least quarterly; • Must maintain order during the meetings; • Must ensure compliance in the council and council committees with the Code of conduct set out in schedule 1 to the Local Government: Municipal Systems Act, 2000 (Act No.32 of 2000); and • Must ensure that the council meetings are conducted in accordance with the rules and orders of the council. |
| CHIEF WHIP: Cllr. F.Phumaphi | |
| EXECUTIVE COMMITTEE: Cllr. F.Phumaphi (BTO) Cllr. L. Kolisi (Infrastructure Development) Cllr. Z.R Nduneni(Community Services) Cllr. S. Maneli (Corporate Services) | |
| MPAC CHAIRPERSON: Cllr. N. Mquqo | |

COUNCILLORS

Below is a table that categorise the Councillors within their specific political parties and wards:

| WARD NO | COUNCILLOR | IDENTITY NUMBER | POLITICAL PARTY | PORTFOLIO |
|---------|---------------|-----------------|-----------------|--|
| 1 | N. Leve | 760210 5891 085 | ANC | Ward Councillor /Budget and Treasury Standing Committee |
| 2 | P. Sitole | 741115 0505 081 | ANC | Ward Councillor /Budget and Treasury Standing Committee |
| 3 | N. Mpoli | 780617 0174 083 | ANC | Ward Councillor / Community Service Standing Committee/Chairperson: Multi-party Women's Caucus |
| 4 | T.T. Skweyiya | 600719 0848 084 | ANC | Ward Councillor /Infrastructure Development Standing Committee |

| WARD NO | COUNCILLOR | IDENTITY NUMBER | POLITICAL PARTY | PORTFOLIO |
|---------|-------------|-----------------|-----------------|--|
| 5 | N. Lawu | 660605 1352 084 | ANC | Ward Councillor / Corporate Services Standing Committee |
| 6 | N. Mquqo | 721219 5323 088 | ANC | Ward Councillor / Chairperson: MPAC |
| 7 | M .Luziphoh | 7404035401083 | ANC | Ward Councillor / Budget and Treasury Standing Committee |
| 8 | L. Moyeni | 570619 5340 085 | ANC | Ward Councillor / Corporate Services Standing Committee/MPAC member |
| 9 | N. Mtati | 810507 0444 087 | ANC | Ward Councillor / Budget and Treasury Standing Committee/ MPAC Member |
| 10 | L. Kolisi | 580908 5852 084 | ANC | Ward Councillor / Infrastructure Development Standing Committee Portfolio Head |
| 11 | N. Fulani | 781010 2245 086 | ANC | Ward Councillor / Infrastructure Development Standing Committee |
| 12 | D. Ncanywa | 651127 0779 085 | ANC | Ward Councillor / Community Services Standing Committee |

Below is a table of PR Councillors:

| NO | COUNCILLOR | IDENTITY NUMBER | POLITICAL PARTY | PORTFOLIO |
|----|-------------------------------|-----------------|-----------------|---|
| 1 | Mnikelo Tempile Siwisa | 7309225529088 | ANC | Mayor |
| 2 | Nombuyiselo Ethelina Magingxa | 6608120377084 | ANC | Speaker |
| 3 | Sanga Siyabulela Maneli | 9107265687081 | ANC | PR Councillor /Portfolio Head: Corporate Services |
| 4 | Fumanekile Phumaphi | 7203037999086 | ANC | PR Councillor /Portfolio Head: Budget and Treasury/Chief whip |
| 5 | Zuziwe Regina Nduneni | 6801013617084 | ANC | PR Councillor /Portfolio Head: Community Services |
| 6 | Nondyebo Jako | 6311110973083 | ANC | PR Councillor / Corporate Services Standing Committee |
| 7 | Nolusindiso Caroline Gxasheka | 840514 0557086 | ANC | PR Councillor / Community Services Standing Committee |
| 8. | Zukisa Jowela | 8411265409087 | ANC | PR Councillor / Corporate Services Standing Committee |
| 9. | Siphosenkosi Gwavu | 9112236152082 | EFF | PR Councillor /Corporate Services Standing Committee |

| | | | | |
|----|----------------------|---------------|-----|--|
| | | | | |
| 10 | Nomaledi V. Gxasheka | 6411270818084 | EFF | PR Councillor /Infrastructure Development Standing Committee |
| 11 | Robyn Taylor | 5810280111086 | DA | PR Councillor / Community Services Standing Committee |

TRADITIONAL LEADERS

| NO | TRADITIONAL LEADER | IDENTITY NUMBER | TRADITIONAL COUNCIL | PORTFOLIO |
|----|------------------------|------------------|---------------------|---|
| 1 | Nqabayethu Mhlauli | 801028 5428 083 | Amahlubi T/C | Prince/Corporate Services Standing Committee |
| 2 | Gladness Luvuyo Zitshu | 510903 5628 08 4 | Msutu T/C | Prince/ Infrastructure Development Standing Committee |
| 3 | Amanda Goni | 8501315677087 | Imidushane T/C | Prince/Community Services Standing Committee |
| 4 | Ntombizonke Ngqondi | 7310080834084 | Amaraule T/C | Princess/ Infrastructure Development Standing Committee |
| 5 | Zanovuyo Njokweni | 6901135636085 | Dabi T/C | Chief/Budget and Treasury Standing Committee |

COUNCILLOR S ATTENDANCE AT COUNCIL MEETINGS

Council Meetings – July 2018 to June 2019

| Name of Councillor | Ordinary Council | | | | Special Council | | | |
|---|-------------------------|---------|---------------------|------------------------|------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Councillor NB Fulani | 4 | 4 | 0 | 0 | 9 | 6 | 2 | 1 |
| Councillor SS Gwavi | 4 | 4 | 0 | 0 | 9 | 6 | 1 | 2 |
| Councillor NV Gxasheka | 4 | 3 | 1 | 0 | 9 | 6 | 2 | 1 |
| Councilor NC Gxasheka | 4 | 4 | 0 | 0 | 9 | 9 | 0 | 0 |
| Councillor NM Jako | 4 | 4 | 0 | 0 | 9 | 7 | 2 | 0 |
| Councillor Z. Jowela (sworn in on 09/04/2018 and endorsed on 25/09/2018) | 4 | 2 | 0 | 2 | 9 | 3 | 1 | 5 |
| Councillor L. Kolisi | 4 | 4 | 0 | 0 | 9 | 6 | 3 | 0 |
| Councillor N. Lawu | 4 | 2 | 2 | 0 | 9 | 7 | 1 | 1 |
| Councilor N. Leve | 4 | 4 | 0 | 0 | 9 | 6 | 2 | 1 |
| Councillor ML Luzipho (sworn in on 29/08/2017) | 4 | 4 | 0 | 0 | 9 | 5 | 3 | 1 |
| Councillor NE Magingxa | 4 | 4 | 0 | 0 | 9 | 8 | 1 | 0 |
| Councillor SS Maneli | 4 | 4 | 0 | 0 | 9 | 4 | 5 | 0 |
| Councillor LH Moyeni | 4 | 4 | 0 | 0 | 9 | 9 | 0 | 0 |
| Councillor NP Mpoli | 4 | 3 | 1 | 0 | 9 | 4 | 5 | 0 |
| Councillor N. Mquqo | 4 | 3 | 0 | 1 | 9 | 5 | 4 | 0 |
| Councillor N. Mtati | 4 | 4 | 0 | 0 | 9 | 8 | 1 | 0 |
| Councillor D. Ncanywa | 4 | 4 | 0 | 0 | 9 | 8 | 1 | 0 |
| Councillor ZR Nduneni | 4 | 4 | 0 | 0 | 9 | 7 | 1 | 1 |
| Councillor F. Phumaphi | 4 | 4 | 0 | 0 | 9 | 6 | 3 | 0 |
| Councilor TT Sikweyiya | 4 | 3 | 1 | 0 | 9 | 8 | 1 | 0 |
| Councillor P. Sitole | 4 | 3 | 1 | 0 | 9 | 9 | 0 | 0 |

| | | | | | | | | |
|----------------------|---|---|---|---|---|---|---|---|
| Councillor MT Siwisa | 4 | 4 | 0 | 0 | 9 | 8 | 1 | 0 |
| Councillor R. Taylor | 4 | 4 | 0 | 0 | 9 | 7 | 2 | 0 |

TRADITIONAL LEADERS ATTENDANCE AT COUNCIL MEETINGS

Council Meetings – July 2018 to June 2019

| Name of Traditional Leader | Ordinary Council | | | | Special Council | | | |
|-----------------------------------|-------------------------|---------|---------------------|------------------------|------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Prince A. Goni | 4 | 4 | 0 | 0 | 9 | 6 | 3 | 0 |
| Princess N. Ngqondi | 4 | 4 | 0 | 0 | 9 | 8 | 0 | 1 |
| Chief ZP Njokweni | 4 | 2 | 1 | 1 | 9 | 9 | 0 | 0 |
| Prince GL Zitshu | 4 | 3 | 1 | 0 | 9 | 8 | 0 | 1 |
| Prince N. Mhlauli | 4 | 4 | 0 | 0 | 9 | 6 | 0 | 3 |

COUNCILLOR S ATTENDANCE AT EXECUTIVE COMMITTEE MEETINGS

EXECUTIVE COMMITTEE MEETINGS – July 2018 to June 2019

| Name of Councillor | Ordinary Executive Committee Meetings | | | | Special Executive Committee Meetings | | | |
|---------------------------|--|---------|---------------------|------------------------|---|---------|---------------------|------------------------|
| | No. of Mtngs | Present | Absent With Apology | Absent Without Apology | No. of Mtngs | Present | Absent With Apology | Absent Without Apology |
| Councillor L. Kolisi | 4 | 4 | 0 | 0 | 7 | 6 | 1 | 0 |
| Councillor SS Maneli | 4 | 3 | 1 | 0 | 7 | 4 | 2 | 1 |
| Councillor MT Siwisa | 4 | 4 | 0 | 0 | 7 | 7 | 0 | 0 |
| Councillor ZR Nduneni | 4 | 4 | 0 | 0 | 7 | 6 | 1 | 0 |
| Councillor F. Phumaphi | 4 | 4 | 0 | 0 | 7 | 5 | 2 | 0 |

COUNCILLOR S ATTENDANCE AT CORPORATE SERVICES STANDING COMMITTEE MEETINGS

Corporate Services Standing Committee Meetings – July 2018 to April 2019

| Name of Councillor | Ordinary Standing Committees | | | |
|---|------------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Councillor S. Gwavu | 4 | 3 | 1 | 0 |
| Councillor N. Lawu | 4 | 4 | 0 | 0 |
| Councillor N. Jako | 4 | 4 | 0 | 0 |
| Councillor Z. Jowela (sworn in on 09/04/2018 and endorsed on 25/09/2018) | 4 | 1 | 3 | 0 |
| Councillor SS Maneli | 4 | 4 | 0 | 0 |
| Councilor LH Moyeni | 4 | 4 | 0 | 0 |
| Name of Traditional Leader | Ordinary Standing Committees | | | |
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Prince N. Mhlauli | 4 | 1 | 1 | 2 |

COUNCILLOR S ATTENDANCE AT PLANNING & DEVELOPMENT STANDING COMMITTEE MEETINGS

Council Meetings – July 2018 to April 2019

| Name of Councillor | Ordinary Standing Committees | | | |
|------------------------|------------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Councillor NC Gxasheka | 4 | 4 | 0 | 0 |
| Councillor NP Mpoli | 4 | 3 | 1 | 0 |
| Councillor D. Ncanywa | 4 | 4 | 0 | 0 |
| Councillor ZR Nduneni | 4 | 4 | 0 | 0 |
| Councillor R. Taylor | 4 | 3 | 1 | 0 |

| Name of Traditional Leader | Ordinary Standing Committees | | | |
|----------------------------|------------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Prince A. Goni | 4 | 3 | 1 | 0 |

COUNCILLOR S ATTENDANCE AT BUDGET AND TREASURY STANDING COMMITTEE MEETINGS

Council Meetings – July 2018 to April 2019

| Name of Councillor | Ordinary Standing Committees | | | |
|--|-------------------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Councillor N. Leve | 4 | 3 | 1 | 0 |
| Councillor M. Luzipho (sworn in on 29/08/2017) | 4 | 3 | 1 | 0 |
| Councillor N. Mtati | 4 | 4 | 0 | 0 |
| Councillor F. Phumaphi | 4 | 4 | 0 | 0 |
| Councillor P. Sitole | 4 | 2 | 2 | 0 |

| Name of Traditional Leader | Ordinary Standing Committees | | | |
|-----------------------------------|-------------------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Chief ZP Njokweni | 4 | 4 | 0 | 0 |

COUNCILLOR S ATTENDANCE AT INFRASTRUCTURE DEVELOPMENT STANDING COMMITTEE MEETINGS

Council Meetings – July 2018 to April 2019

| Name of Councillor | Ordinary Standing Committees | | | |
|---------------------------|-------------------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Councillor L. Kolisi | 4 | 4 | 0 | 0 |
| Councillor N. Fulani | 4 | 4 | 0 | 0 |
| Councillor NV Gxashuka | 4 | 3 | 0 | 1 |
| Councillor TT Sikweyiya | 4 | 2 | 1 | 1 |

| Name of Traditional Leader | Ordinary Standing Committees | | | |
|-----------------------------------|-------------------------------------|---------|---------------------|------------------------|
| | No. of Meetings | Present | Absent With Apology | Absent Without Apology |
| Prince GL Zitshu | 4 | 3 | 0 | 1 |
| Princess N. Ngqondi | 4 | 4 | 0 | 0 |

POLITICAL DECISION MAKING STRUCTURES:

Decisions are taken through the Council and the Executive Committee oversees that all resolutions are implemented. The Audit Committee ensures that the Performance is monitored regularly and all departments submit Quarterly Performance Reports which result in a score card. MPAC plays an oversight role.

2.2 ADMINISTRATIVE GOVERNANCE

INTRODUCTION TO ADMINISTRATIVE GOVERNANCE:

MFMA section 60 (b): The Municipal Manager of a municipality is the accounting officer of the municipality for the purposes of this Act and must provide guidance on compliance with this Act to political structures; political office bearers, and officials of the municipality and any entity under the sole or shared control of the municipality.

ADMINISTRATIVE GOVERNANCE STRUCTURE



M.P. Mpahlwa
Municipal Manager



Z. Msipa
Director: Technical
Services



N.M Makwabe
Director: Community
Services



V.C. Makedama
CFO



M. Mxekezo
Director: Corporate
Services

The Municipal Manager is the Accounting Officer of the Municipality. S/He is the head of the administration, and primarily has to serve as chief custodian of service delivery and implementation of political priorities. S/He is assisted by his/her directors which constitutes the Management Team, whose structure is outlined in the table below:

| Top Administrative Structure | Position | Duration | Qualifications | Performance Agreement Signed Yes/No |
|------------------------------|-------------------------------|---------------------------|---------------------------------------|-------------------------------------|
| Ms .M.P Mpahlwa | Municipal Manager | 27 September 2017-current | MA in Public Administration | Yes |
| Mr .M Mxekexo | Director: Corporate Services | 01 December 2017-current | Bsoc Honours in Industrial Psychology | Yes |
| Mr. V.C Makedama | Chief Financial Officer | 01 November 2014- Current | BCompt | Yes |
| Mr. Z Msipha | Director : Technical Services | 02 May 2018- 31 May 2019 | BTech : Civil Engineering | Yes |
| Ms. N Makwabe | Director : Community Services | 01 June 2018 – current | Bed Honours in Education | Yes |

COMPONENT B: INTERGOVERNMENTAL RELATIONS

INTRODUCTION TO CO-OPERATIVE GOVERNANCE AND INTERGOVERNMENTAL RELATIONS

MSA section 3 requires that municipalities exercise their executive and legislative authority within the constitutional system of co-operative governance envisaged in the Constitution section 41. As outlined in Chapter 3 of the Intergovernmental Relations Framework (2005), the Implementation Protocols (IP) better known as Memorandum of Understanding (MOU) is a useful tool to operationalize the management of a Joint Programme to realize government developmental outcomes. The Inter-governmental Relations Framework Act, (Act No 13 of 2005), requires all spheres of government to work jointly, coordinate, communicate, align and integrate service delivery effectively, to ensure access to services. In this regard the Municipality complies with the provisions of the Act. Intergovernmental Relations (IGR) meetings were held in the 1st, 2nd, 3rd and 4th quarter of the financial year.

| QUARTER | DATE | IN ATTENDANCE |
|-----------------|-------------------|--|
| 1 ST | 26 September 2018 | Government Departments and State Owned Enterprises |
| 2 ND | 29 November 2018 | Government Departments and State Owned Enterprises |
| 3 RD | 21 March 2019 | Government Departments and State Owned Enterprises |

| | | |
|-----------------|-------------|--|
| 4 TH | 5 June 2019 | Government Departments and State Owned Enterprises |
|-----------------|-------------|--|

The Local Communicators Forum (LCF) was established but due to non-availability of communicators in government local offices the meeting are not attended and it becomes unproductive to plan programmes together and discuss challenges experienced in wards.

PROVINCIAL INTERGOVERNMENTAL STRUCTURE

Ngquushwa Local Municipality attends the Provincial MUNIMEC and Provincial Municipal Infrastructure Forum, Local Government Communications Forum, EPWP Provincial Steering Committee, Chief Audit Executive Forum, Provincial Legal Advisor's Forum, Provincial Round Table on Public Participation, Chief Audit Executive Forum, HRD & Collective bargaining Working Group, Provincial Skills Development Facilitators Forum to consult on matters of mutual interest and where the state and progress of municipalities are addressed.

DISTRICT INTERGOVERNMENTAL STRUCTURES

Ngquushwa Municipality attends the District IGR and District Mayors Forum (DIMAFO), Speakers Forum, District Municipal Manager's Forum, District Strategic Manager's Forum, District Internal Audit Forum District Engineering Forum, District Communicators Forum (DCF), District Legal Advisor's Forum, District Wide Planning and Economic Development Forum, District Agricultural Forum, District Corporate Services District Forum (CSDF), District Skills Development Facilitators Forum, District Tourism Forum, District Aids Council, District Finance Forum and District IDP/Budget and PMS Representative Forum and District Initiation Forum.

COMPONENT C: PUBLIC ACCOUNTABILITY AND PARTICIPATION

OVERVIEW OF PUBLIC ACCOUNTABILITY AND PARTICIPATION

Section 16 of the Municipal System Act (MSA) refer specifically to the development of a culture of community participation within Municipality. It states that a Municipality must develop a culture of Municipal governance that complement formal representative government with a system of participatory governance. For this purpose, it must encourage and create conditions for the local community to participate in the affairs of the community. Such participation is required in terms of

- The preparation, implementation, review of the IDP
- Establishment, implementation, review of the IDP
- Monitoring and review of the performance, including the outcomes and impact of such performance
- Preparation of the Municipal budget.

PUBLIC MEETINGS

COMMUNICATION, PARTICIPATION AND FORUMS

As guided and inspired by the Legal framework that includes the Constitution of the Republic of South Africa, The Municipal Systems Act 32 of 2000, as well as the Municipal Structures Act No.117 Of 1998, Ngqushwa Local municipality has ensured regular and effective communication with the community. The Municipality has to manage strategically information flow with relevant target groups, and also to ensure that communication in all spheres of government is driven by a clear message to improve the lives of the people.

It is widely recognized and understood that an organization's success rests on how well it understands the needs of its customers, and how it responds to those needs by delivering what is required. Good Customer Care clearly implies delivering a professional service, providing access to quality information, providing services that are timely, cost effective, and useful, for Government's core objectives. The Presidential Hotline is an electronic tool we are **utilizing to manage queries, complaints.**

Below is a communication checklist of the compliance to the communication requirements:

| Communication Activities | Yes/No |
|--|--------|
| Communication Unit | Yes |
| Communication strategy | Yes |
| Communication policy | Yes |
| Customer satisfaction survey | No |
| Functional Complaint management system | Yes |
| Newsletter distributed quarterly | Yes |

The municipality has ensured during the year that there is full participation of the public through;

- IDP/Budget and PMS Representative Forums.
- IDP /Budget and PMS Road shows.
- War rooms
- MPAC Road shows.
- Local Communicator's Forum.
- Service Delivery Days.
- National Information Days

Each Ward is afforded the opportunity to participate in the IDP/Budget and PMS Representative forum and IDP/Budget and PMS road shows. In these gatherings, people who attend are mostly; unemployed youth, adults and elderly citizens and announcements are done through written communication.

| Public meetings | | | | | | |
|---|---|--|--|---|---------------------------|--|
| Nature and purpose of the meeting | Date of events | Number of Participating Municipal Councilors | Number of Participating Municipal Administrators | Number of Community members/s takeholders attending | Issues Addressed (Yes/No) | Date and Manner of feedback given to community |
| IDP/Budget and PMS Representative Forum | 12 September 2018 15 November 2018 | 27 | 10 | 2000 | Yes | Through Ward Councillors and tabled during IDP/Budget and PMS Representative Forum |
| MPAC Roadshows | 02 -04 October 2018 | 27 | 10 | 3000 | Yes | Through Ward Councillors also tabled during IDP and Budget Roads shows |
| IDP /Budget and PMS Roadshows | 23-26 April 2018 | 27 | 10 | 3000 | Yes | Through Ward Councillors and tabled during IDP /Budget Roadshows |
| IGR Forum | 26 September 2018 29 November 2018 21 March 2019 5 June 2019 | 27 | 10 | 65 | Yes | Through Ward Councillors and during IGR meeting and through bilateral between Sector Departments |

WARD COMMITTEES

The Ward Committees support the Ward Councillor who receives report on development, participate in development planning processes and facilitate wider community participation. To this end, the Municipality constantly strives to ensure that all Ward Committees function optimally with community information provision, convening of meetings, ward planning, service delivery, IDP formulation and performance feedback to communities.

WARD COMMITTEES MEETINGS

| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
|--------------------------------|----------|------|----------------|-------------------------------------|
| Nokrimesi Mateta | Ngqwele | 1 | 0631116440 | 26 October 2018 |
| Vala Mdayi | Gobozana | 1 | 0832438637 | 6 December 2018 |
| Asanda Siwendu | Bhele | 1 | 0787835378 | 6 February 2019 |
| Nondzondelelo Blossom Ngcozela | Ngqwele | 1 | 0731916842 | 28 May 2019 |
| Fundiswa Mantha Mabindisa | Nxopho | 1 | 0634164362 | |
| Lulama Tsotso | Tyeni | 1 | 0780170691 | |
| Thandeka Cynthia Njajula | Gobozana | 1 | 0834406179 | |
| Sangqingqi Melford Ndesi | Nonibe | 1 | 0735905055 | |
| Thobile Jonas Komani | Mthathi | 1 | 0787227844 | |
| Pelisa Ngeni | Zalara | 1 | 0731250049 | |

| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
|----------------------|---------------|------|----------------|-------------------------------------|
| Vuyiswa Zaza | Lower Mthombe | 2 | 0731278316 | 9 October 2018 |
| Nelisa Mbilase | Zimbaba | 2 | 0723579916 | 16 November 2018 |
| Siphelele Kwenzekile | Mthyolo | 2 | 0738862717 | 12 February 2019 |
| Maureen Pumla Yekani | Quqqwala | 2 | 0782113388 | 29 May 2019 |
| Pumza Nodala | Nyatyhora | 2 | 0732166341 | |

| Vuyelwa Mgqwadi | Mavathulana | 2 | 0834156048 | |
|------------------------------|---------------|------|----------------|-------------------------------------|
| Mbulelo Laiti | Tyhata | 2 | 0719840734 | |
| Siphokazi Dlova | Mtyholo | 2 | 0834152971 | |
| Emma Noxolo Kwakwa | Mthombe | 2 | 0834153195 | |
| Faniswa Bangani | Tildin | 2 | 0834153358 | |
| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
| Ntombizandile Gladys Stiti | Nqwenerana | 3 | 0739680043 | 15 October 2018 |
| Mangiwe Mavis Nyaniso | Ntsinekana | 3 | 0835402320 | 28 November 2018 |
| Phumla Kilimani | Bongweni A | 3 | 0732256553 | 13 February 2019 |
| Nomakula Agnes Nquma | Mqwashini | 3 | 0736533599 | 28 May 2019 |
| Nomawethu Ntshabo | Qaukeni | 3 | 0633885654 | |
| Ntombomzi Patricia Ndevu | Mabhongo | 3 | 0732222256 | |
| Zuziwe Krobani | Kalana | 3 | 0836318371 | |
| Buyelika Tyhali | Gcinisa North | 3 | 0788408063 | |
| Nokuzola Jack | Baltein | 3 | 0734656520 | |
| Nyusile Yali | Crossman | 3 | 0631824368 | |
| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
| Khutazwa Tshetu | Upper Dube | 4 | 0731046995 | 25 September 2018 |
| Nomhamhase Violet Klaas | Machibi | 4 | 0733191298 | 6 December 2018 |
| Wezeka Khulu | Mdolomba | 4 | 0789669530 | 12 February 2019 |
| Funiwe Jeanette Mpenu-Sikeyi | Machibi | 4 | 0781529142 | 29 May 2019 |

| | | | | |
|--------------------------|-------------|------|----------------|-------------------|
| Vuyolwethu Honest Dinana | Madliki | 4 | 0782188346 | |
| Nceba Goodman Shugu | Phole | 4 | 0836937251 | |
| Thembisa Joyce Maseti | Dube | 4 | 0834312068 | |
| Tandeka Qekeza | Ngakaxha | 4 | 0719193048 | |
| Zanethemba Ngcapu | Mdolomba | 4 | 0738646188 | |
| Lindelwa Binda | Nxwashu | 4 | 0730669948 | |
| Name | VILLAGE | WARD | CONTACT NUMBER | |
| Phakama Sylvia Kosani | Leqeni | 5 | 0781614982 | 20 September 2018 |
| Mongezi Ernest Mavata | Tuku A | 5 | 0762813005 | 27 November 2018 |
| Phindiswa Patricia Mali | Crossroads | 5 | 0783547971 | 05 March 2019 |
| Olwethu Mrwebo | Tuku C | 5 | 0738532785 | 06 June 2019 |
| Siyathemba Mpupu | Loverstwist | 5 | 0780594925 | |
| Mthobelis Warren Mralaza | Bell | 5 | 0786193197 | |
| Phumzile Lennox Ngangani | Crossroads | 5 | 0838844252 | |
| Khayalethu Nqono | Bodium | 5 | 0717256444 | |
| Thozama Veronica Mpofu | Hoyi | 5 | 0834838251 | |
| Nozolile Zuziwe Klaas | Wooldridge | 5 | 0833677438 | |

| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
|-------------------------|------------|------|----------------|-------------------------------------|
| Nobuzwe Magazi | Dam-dam | 6 | 0733959105 | 19 October 2018 |
| Xolani W.Sicwebu | Nyaniso | 6 | 0834156748 | 18 December 2018 |
| Nombulelo Fowl | Celetyuma | 6 | 0603288429 | 06 February 2019 |
| Mirriam Jongwana | Feni | 6 | 0718013749 | 05 June 2019 |
| Ntombizonke Nxomani | Feni | 6 | 0837116414 | |
| Mhlanganisi H Marwanqa | Makhahlane | 6 | 0786561519 | |
| Dingalanele Ndleleni | Feni | 6 | 0736411992 | |
| Lungelwa Cynthia Sawula | Cisira | 6 | 0603405987 | |
| Lliwe Freda Marashule | Cisira | 6 | 0738917236 | |
| Linda Manona | Nyaniso | 6 | 0834154592 | |

| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
|---------------------------------|------------|------|----------------|-------------------------------------|
| Yolanda Mame | Ndlambe | 7 | | 09 October 2018 |
| Ntombizandile Primrose Kunjuzwa | Maqhosha | 7 | 0738523436 | 30 November 2018 |
| Siyalinga Kalakulu | Gwabeni | 7 | | 06 February 2019 |
| Ayanda Gidani | Ndwayana | 7 | 0785427625 | 7 June 2019 |
| Neliswa Patricia Mahlakahlaka | Rura | 7 | | |
| Nomakhaya Mazinyo | Eluxolweni | 7 | 0738824064 | |
| Lindelwa Virginia Tyatya | Glenmore | 7 | 0788702445 | |
| Mthakazeli G Dlengezele | Qamnyana | 7 | 073724596 | |
| Lungiswa Luziphlo | Rura | 7 | 0835452024 | |
| Noludwe Ngwendu-Madikane | Horton | 7 | 0837366902 | |

| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
|---------------------------------|------------------|------|----------------|---|
| Nokuzola Joyce Mzileni-Khechane | New Creation | 8 | 0725771940 | 09 October 2018 20 November 2018 6 February 2019 25 June 2019 |
| Abel Velile Peyi | New Rest | 8 | 0717776414 | |
| Vuyelwa Evelyn Nyawula | Power | 8 | 0732368412 | |
| Nokulunga C. Nyaniso | Durban | 8 | 0738937317 | |
| Thando Ramncwana | Peddie Town | 8 | 0717648915 | |
| Thenjelwa Patricia Jongwana | Peddie Extension | 8 | 0833538113 | |
| Siphamandla Jakavula | Durban | 8 | 0738473897 | |
| Thandeka P.Mkatali | New creation | 8 | 0769520948 | |
| L. Mlamla | Ndlovini | 8 | 0785488127 | |
| Malusi Gcobani S. Sambu | German village | 8 | 0784836319 | |
| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
| Nolubabalo Diana Ketile | Lewis | 9 | 0730552050 | 09 October 2018 22 November 2018 13 February 2019 10 June 2019 |
| Andile Gilman Pantsi | Pikoli | 9 | 0730648202 | |
| Thabisa Eunice Sambu | Mgwalana | 9 | 0726954372 | |
| Ntombokuphila Teyise | Ntloko | 9 | 0732134263 | |
| Georginah Buyiswa Xonxa | Pikoli | 9 | 0604932655 | |
| Diliza Mgcuwe | Runletts | 9 | 0731450625 | |
| Ntombekhaya Felicity Zotani | Woodlands | 9 | 0604193525 | |
| Ntombizodwa Julia Snooks | Nobumba | 9 | 0604739073 | |
| Velisile Mgqwetha | Nobumba | 9 | 0731658655 | |
| Nolupho.T Mkhutshulwa | Ntloko | 9 | 0631978798 | |

| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
|---------------------------------|----------------|------|----------------|--|
| Thembakazi Mavavana | Mabaleni | 10 | 0733348973 | 10 October 2018 22 November 2018 14 February 2019 31 May 2019 |
| Eric Tembinkosi Maneli | Newtondale | 10 | 0733740379 | |
| Feziwe Moki | Lower Mgwalana | 10 | 0631386863 | |
| Nontlupheko Oscarina Mjekula | Lower Qeto | 10 | 0717358246 | |
| Mbukeli Palala | Upper Qeto | 10 | 0788371562 | |
| Ncedisa Hulushe | Maxhegweni | 10 | 0734426949 | |
| Zukiswa Cynthia Gxoyiya-Mtshelu | Ntshamanzi | 10 | 0784169050 | |
| Nomakathini Gxaweni – Nomjila | Mthathi | 10 | 0733243610 | |
| Nozesazi Ndongeni | Lower Gwalana | 10 | 0785068209 | |
| Nositshembiso Mnotoza | Upper Gwalane | 10 | 0633736270 | |
| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
| Veronica Kekana | Mgababa | 11 | 0734545598 | 10 October 2018 22 November 2018 31 May 2019 |
| Khululekile Fumba | Mkhanyeni | 11 | 0730846767 | |
| Ndileka Cecilia Gxakrisa | Mpekweni | 11 | 0837535773 | |
| Nonkoliseko Nkobe | Mkhanyeni | 11 | 0784906723 | |
| Headman Snoekie Tom | Mgababa | 11 | 0837744869 | |
| Nomhle Beauty Seti | Prudhoe | 11 | 0780769991 | |
| Phindiwe Virginia Mtwalo | Mgababa | 11 | 0786625129 | |

| Ntsika Bali | Prudhoe | 11 | 0730399124 | |
|----------------------------|----------|------|----------------|-------------------------------------|
| Thandeka Nzwili | Mpekweni | 11 | 0789078630 | |
| Xolani Magini | Mpekweni | 11 | 0837118273 | |
| Name | VILLAGE | WARD | CONTACT NUMBER | Dates of meetings held in 2018/2019 |
| Siyabulela Mshweshwe | Wesley | 12 | 0718179532 | 27 November 2018 |
| Zwelakhe Ngxumza | Gcinisa | 12 | 0717476462 | 02 October 2018 |
| Nomthandazo Miriam Mapuma | Hamburg | 12 | 0731880856 | 4 March 2019 |
| Lunga Sylvester Nyongo | Hamburg | 12 | 0719345168 | 30 May 2019 |
| Nomvuyo Bacela | Gcinisa | 12 | 0834288125 | |
| Neseka Sinuka | Benton | 12 | 0780563143 | |
| Mcoseleli Ntando | Wesley | 12 | 0833513140 | |
| Daniwe Madlavu | Wesley | 12 | 0735493082 | |
| Ntombinaye Victoria Vellel | Bingqala | 12 | 0633628158 | |
| Nosipho Eunice Maseti | Nier | 12 | 0837716469 | |

IDP PARTICIPATION AND ALIGNMENT

| IDP Participation and Alignment Criteria* | Yes/No |
|--|----------------|
| Does the municipality have impact, outcome, input, output indicators? | Yes |
| Does the IDP have priorities, objectives, KPIs, development strategies? | Yes |
| Does the IDP have multi-year targets? | Yes |
| Are the above aligned and can they calculate into a score? | Yes |
| Does the budget align directly to the KPIs in the strategic plan? | Yes |
| Do the IDP KPIs align to the Section 56 Managers | Yes |
| Do the IDP KPIs lead to functional area KPIs as per the SDBIP? | Yes |
| Do the IDP KPIs align with the provincial KPIs on the 12 Outcomes | Yes |
| Were the indicators communicated to the public? | Yes |
| Were the four quarter aligned reports submitted within stipulated time frames? | No |
| * Section 26 Municipal Systems Act 2000 | T 2.5.1 |

COMPONENT D: CORPORATE GOVERNANCE

OVERVIEW OF CORPORATE GOVERNANCE

Corporate governance is the set of processes, practices, policies, laws and stakeholders affecting the way an institution is directed, administered or controlled. Corporate governance also includes the relationships among the many stakeholders involved and the goals for which the institution is governed.

RISK MANAGEMENT

Ngqushwa Municipality's council monitors risk through the Audit Committee. The Committee plays an oversight role to ensure that there is an effective risk management process and system within the organisation. This approach provides technical assistance to the Council to exercise its role in ensuring that an adequate and effective risk management system and process is in place. The Council is expected to exercise the duty of care, skill, and diligence in identifying, assessing and monitoring risks as presented by Audit Committee. The Audit Committee recommends to the Council risk strategies and policies that need to be set, implemented and monitored.

During the year, the Municipality has established a Risk and Fraud Management Committee to ensure that the culture of risk management is embedded in the institutions operations. With the technical support from both internal audit and audit committee Ngqushwa Local Municipality identifies risk areas that are managed systematically and continuously. The municipality has a risk register in place which is treated as a working risk management document of which the identified risks are constantly recorded and properly managed. The municipality's senior management monitors and evaluates the implementation and efficiency of management's controls and such actions identified to improve current controls in the risk register. The municipality submits its risk management register to Internal Audit and Audit Committee on a quarterly basis for review.

During the period under review, the municipality developed the Strategic, departmental operational risk registers, Fraud, Supply Chain Management and ICT Risk Registers in line with the mitigation plans undertaken by management to improve the Risk Management System.

ANTI CORRUPTION AND ANTI FRAUD

Section 83© of the MSA refers to the implementation of effective bidding structures to minimise the possibility of fraud and corruption and the Municipal Finance Management Act(MFMA)section 112(1)(m)(i) identify supply chain measures to be enforced to combat fraud and corruption, favouritism and unfair and irregular practices. Section 115(1) of the Municipal Finance Management Act (MFMA) states that the accounting officer must take steps to ensure mechanisms and separation of duties in a supply chain management to minimise the likelihood of corruption and fraud.

| Name of Strategy | Developed: Yes/No | Date Adopted /Reviewed |
|-------------------------------------|-------------------|------------------------|
| Risk Management Policy | Yes | Reviewed 2018/19 |
| Fraud and Risk Management Committee | Yes | Established in 2018/19 |
| Fraud Prevention Plan | Yes | Reviewed in 2018/19 |

AUDIT COMMITTEE

The municipality's Audit Committee is serving for 3 year term, commencing from 01 July 2017 to 30 June 2020. The Audit Committee is a sub-committee of Council. The responsibilities of the Committee are detailed in the Audit Committee Charter. This charter was developed by the committee, presented to management and was approved by the council and it is reviewed on a yearly basis.

The purpose of the committee is to provide:

- Independent assurance on the adequacy of the risk management framework, performance management, governance and the control environment;
- Independent scrutiny of the municipality's financial and non-financial performance; and
- To oversee the financial reporting and compliance processes.

The key benefits of the audit committee are as follows:

- Increasing public confidence in the objectivity and fairness of both financial and non-financial reporting;
- Reinforcing the importance and independence of internal and external audit and similar review processes;
- Providing additional assurance through a process of independent review.
- Raising awareness of the need for internal control and the implementation of audit recommendations.

The audit committee is required to report that it has regulated its affairs in compliance with the audit committee charter, and has discharged its responsibilities set out therein.

Summary of Audit Committee responsibilities:

The responsibilities of the Committee, as laid down in the Charter, include providing oversight on financial reporting and other matters such as the monitoring of governance processes, controls and risk management in the municipality. The Committee also ensures effective communication between the internal auditors, external auditors, the Council and management.

During this period the Committee conducted the following business and made recommendations for improvement in the relevant areas:

- Approval of the Risk Based Annual Internal Audit Plan and Three Year Rolling Plan;
- Reviewed the Annual Financial Statement for 2018/2019 financial year;
- Reviewed the municipalities financial and performance reports;
- Reviewed the risk management framework of the municipality;
- Reviewed the Performance Management policy of the municipality ;
- Considered litigation matters facing the municipality;
- Reviewed Internal Audit quarterly reports;
- Reviewed External and Internal Audit recommendations, monitoring and tracking thereof;
- Ensures that an Audit Action Plan is developed and monitor progress thereof on issues that were raised on the previous years by the Auditor General od South Africa.

MEMBERS OF THE AUDIT COMMITTEE

The Committee comprises of four independent executive members. Representatives from the office of the Auditor General, Internal Audit and senior management of the municipality attend committee meetings on an *ex officio status*. In terms of our Charter at least four (04) meetings should be held during a financial year. We are pleased to announce that all four meetings were held in the 2018/2019 financial year. Details of the Committee members are as follows:

| MEMBER | CAPACITY | EXPERTISE | NUMBER OF MEETINGS ATTENDED |
|------------------|-------------|---|-----------------------------|
| Prof. W Plaatjes | Chairperson | Finance, auditing, risk management and performance management | 7 |
| Ms. V Hlehliso | Member | Finance, auditing, and risk management | 4 |
| Mr. C Sparg | Member | Finance, auditing and risk management | 6 |
| Mr. P H Songo | Member | Litigation & Legal matters and performance management | 1 |

The permanent invitees to the Committee meetings include the Mayor, Portfolio Head BTO, Municipal Manager, Chief Financial Officer, MPAC Chair, Senior Managers and representatives from Internal Audit.

INTERNAL AUDITING

Ngqushwa Local Municipality has an in house Internal Audit function that consists of Internal Audit Manager, Internal Audit Practitioner and Risk Practitioner.

Each municipality and each municipal entity must have an internal audit unit, subject to MFMA section 165 (1) (2).

(2) The internal audit unit of a municipality or municipal entity must—

- (a) prepare a risk-based audit plan and an internal audit program for each financial year;
- (b) advise the accounting officer and report to the audit committee on the implementation of the internal audit plan and matters relating to—
 - (i) internal audit;
 - (ii) internal controls;
 - (iii) accounting procedures and practices;
 - (iv) risk and risk management;
 - (v) performance management;

- (vi) loss control; and
- (vii) compliance with this Act, the annual Division of Revenue Act and any other applicable legislation; and

(c) Perform such other duties as may be assigned to it by the accounting officer.

COMMUNICATION

Local Government has a legal obligation and a political responsibility to ensure regular and effective communication with the community. The Constitution of Republic of South Africa Act, 1996 and other statutory enactment all impose an obligation on local government communication and required high levels of transparency, accountability, openness, participatory, democracy and direct communication with the communities to improve the lives of all.

WEBSITES:

Municipalities are required to develop and maintained a functional website that displays relevant information as per the requirement of Section 75 of the MFMA and Section 21 (b) of the MSA as amended. The website should serve as a mechanism to promote accountability and transparency to communities and therefore information posted should be accurate and timeously updated.

The Municipal website is a key communication mechanism in terms of service offering, information sharing and public participation. It is a communication tools that should allow easily and convenient access to relevant information. The Municipal website should serve as an integral part of the municipality's communication strategy. The website was later in the financial year upgraded with a new look and feel to be user friendly, documents according to Municipal Systems Act and Municipal Finance Management Act have been updated e.g. Tenders, vacancies, notices and monthly budget.

| Documents published on the Municipality's /Entity | Yes/No |
|--|--------|
| Current annual and adjustment budgets and all budget related documents | Yes |
| All current budget related policies | Yes |
| The annual report for 2017/18 | Yes |
| All current performance agreements required in terms of section 57 (1)(b) of the Municipal Systems Act for 2018/19 and resulting scorecards | Yes |
| Mid –year performance report 2018/19 | Yes |
| IDP and Budget 2018/19 | Yes |
| IDP 2017/2022 | Yes |
| Service Delivery and Budget Implementation Plan 2018/19 | Yes |
| All service delivery agreements for 2018/19 | No |
| All supply chain management contracts above a prescribed value for 2018/19 | No |
| An information statement containing a list of assets over a prescribed value that have been disposed of in terms of section 14 (2) or (4) during 2016/17 | No |
| Contracts agreed in Year 1 to which subsection (1) of section 33 apply, subject to subsection (3) of that section | No |
| All quarterly reports tabled in Council in terms of section 52(d) during 2017/18 | Yes |

2.6 INFORMATION AND COMMUNICATION TECHNOLOGY (ICT) SERVICES

ICT section provides appropriate Information and Communication Technologies that enables our users to access the information and services necessary to do their jobs.

| Job Grades | 2018/2019 | | | |
|------------|-----------|-----------|--|-----------------------------------|
| | Posts | Employees | Vacancies (fulltime equivalents) | Vacancies (as a % of total posts) |
| | No. | No. | No. | % |
| 0 - 3 | N/A | N/A | N/A | N/A |
| 4 - 7 | 1 | 1 | N/A | 100% |
| 8 - 13 | 2 | 1 | 1 | 50 % |
| 14 - 18 | 1 | 1 | N/A | 100% |

By – laws and Policies

Below is a list of all available by-laws and policies developed, reviewed during the financial year and tabled to Council on the 27 June 2019.

| DEPARTMENT | POLICY | DATE |
|--------------------|--|--------------|
| CORPORATE SERVICES | <ul style="list-style-type: none"> • Leave Policy • Bereavement Policy • Employee Performance Management Policy • Overtime Policy • Time and Attendance Policy • Acting and Acting Allowance Policy • Employee Assistance Policy • Recruitment Selection and Appointment Policy • Training and Development Policy • Disciplinary and Grievance Procedure Policy • HIV & Aids Policy • ICT Policy • Telephone and cellphone Policy | 27 June 2019 |

| | | |
|--------------------|--|--------------|
| | <ul style="list-style-type: none"> • ICT Security • ICT Data backup and recovery Plan | |
| MM's OFFICE | <ul style="list-style-type: none"> • Pauper Burial Policy • Litigation Management Policy • Delegation Policy • Remuneration of Section 79 Committee Chairperson • Remuneration of Traditional Leaders Policy • Risk Management Policy • Fraud Management Policy • Communication strategy | 27 June 2019 |
| BTO | <ul style="list-style-type: none"> • Budget Policy • Virement Policy • Expenditure Management Policy • Subsistence Travel Policy • Supply Chain Management Policy | 27 June 2019 |
| COMMUNITY SERVICES | <ul style="list-style-type: none"> • Immovable Property Management Policy | 27 June 2019 |

Municipal by Laws

1. By-law relating to Standing Orders for Council
2. By-law relating to Solid Waste Disposal
3. By-law relating to Credit Control
4. By-law relating to Street Trading
5. By-law relating to Advertising Signs
6. By-law relating to Prevention of Nuisance
7. By-law relating to Public Open Spaces
8. By –law relating to Keeping of Dogs and Other animals
9. By-law relating to Ward Committee
10. By-law relating to Cemeteries and Crematoria

11. By-law relating to Unsightly and Neglected Buildings
12. By-law relating to Liquor Trading
13. By-law relating to Buildings
14. By –law relating to Delegation of Power

SUPPLY CHAIN MANAGEMENT

The Supply Chain Management Policy of the Municipality is deemed to be fair, equitable, transparent, competitive and cost effective as required by Section 217 of the Constitution. SCM Policy complies duly with the requirement of Section 112 of the MFMA as well as the Supply Chain Management Regulations. The Policy was drafted based on the SCN Model Policy issued by National Treasury and amended to suit the local circumstances within the ambit of the regulatory framework and sometimes even stricter than the legal requirement .

COMPETITIVE BIDS

The Accounting officer established a committee system that is consistent with the MFMA and Municipal SCM Regulations for bids consisting of:

- A bid specification committee
- A bid evaluation committee
- A bid adjudication committee

PERFORMANCE OF SERVICE PROVIDERS

Annual Cumulative Report on the Performance of the Service Providers in the 2018/19 Financial Year. The legislated report on the performance of service providers (awarded bids) in terms of section 46(1) (a) of the Municipal systems Act (No.32 of 2000) is encapsulated in the table below. Detailed project monitoring reports in relation to each project are available for inspection.

LIST OF AWARDED TENDERS 2018-19 (JULY-SEPTEMBER)

| Bid number | Description | Service Provider | Award date | Tender Amount |
|-------------------|--|--|--------------|---------------|
| | | | | |
| 8/2/639/2017-2018 | Formalization of Municipal Office(by subdivision, rezoning and consolidation Erven 93,313 & 315 Peddie) | MNT Geomatics | 17 July 2018 | R 90,000.00 |
| 8/2/640/2017-2018 | Renewal of Hosted Email Solution | SMS ICT Choice | 16 July 2018 | R 101,806.73 |
| 8/2/630/2017-2018 | Supply and Delivery of New tyres for 315/80 R22.5 Lowbed Truck | Snazo Development | 17 July 2018 | R 189,999.00 |
| 8/2/637/2017-2018 | Calculation of Landfills Lifespan Assessment Rehabilitation Costs for 2017-18 | Environmental and Sustainability Solutions | 17 July 2018 | R 93,305.25 |
| 8/2/643/2018-2019 | Microsoft Licenses | SMS ICT Choice | 24 July 2018 | R 84,711.19 |
| 8/2/642/2018-2019 | Supply and Delivery of Cleaning Material | 98 Nazo Diva | 25 July 2018 | R 95,000.00 |
| 8/2/645/2017-2018 | Special Skills Audit Support for Reviewal of 2017-18 AFS, ICT Reviews & MSCOA Compliance Related Reviews for 2018-19 | Sizwe Ntsaluba Gobodo | 30 July 2018 | R 387,500.00 |

| | | | | |
|------------------------|--|---|-------------------|----------------|
| 8/2/634/2018-2019 | Construction of Quqqwala Internal Streets | Azizi Plant Hire and Construction | 01 August 2018 | R 1,824,749.85 |
| 8/2/635/2018-2019 | Construction of Runlets Internal Streets | Dintwa Trading CC | 01 August 2018 | R 1,963,826.48 |
| 8/2/636/2018-2019 | Construction of Wesley Internal Streets | Devomix Construction | 01 August 2018 | R 1,997,826.39 |
| SCM-01/08/2018 | Sourcing of Funding for Infrastructure Development | Zisikelele General Trading CC | 01 August 2018 | |
| SCM-02/03/18 &03/03/18 | Developer for purposes of Development of a Shopping Centre and Middle Income Housing on ERF 1379 Peddie | The Resident c/o Bayete New Dimension (Pty) Ltd | 20 August 2018 | |
| 8/2/646/2018-2019 | Supply and Delivery of Maize Seed | Tiaglo | 16 August 2018 | R 41,000.00 |
| 8/2/641/2018-2019 | Supply and Delivery of Stationery | Kholwaz Projects | 21 August 2018 | R 93,000.00 |
| 8/2/645/2018-2019 | Supply and Delivery of Materials, Hand tools & Machinery | Ubuntu Benene (Pty) Ltd | 31 August 2018 | R 110,000.00 |
| 8/2/649/2018-2019 | Supply and Delivery of 40m Winch | Ram Q Enterprise | 05 September 2018 | R 196,000.00 |
| 8/2/648/2018-2019 | Repairs and Maintenance of Air Conditioners | Okuhlekodwa Trading & Projects 164 CC | 06 September 2018 | R 32,100.00 |
| SCM-01/03/2018 | Developer for Development of a Filing Station Opposite Nompumelelo Hospital on a portion of the remainder of ERF 93 Peddie | Afrika Khulanathi Construction | 10 September 2018 | |

LIST OF AWARDED TENDERS 2018-19 (OCTOBER-DECEMBER)

| Bid number | Description | Service Provider | Award date | Tender Amount |
|-------------------|--|----------------------------------|-----------------|---------------|
| | | | | |
| 8/2/655/2018-2019 | Supply and Delivery of Municipal Building Material | Ethel Trading | 01 October 2018 | R 195,000.00 |
| 8/5/651/2018-2019 | Land Audit Survey Peddie and Hamburg | Iliizwe Town & Regional Planners | 01 October 2018 | R 165,000.00 |
| 8/2/639/2018-2019 | Supply and Delivery of 23 Laptops, Carrier bags and wired optical mouses | The Cockpit Property Investments | 15 October 2018 | R 283,510.05 |
| 8/2/655/2018-2019 | Supply and Delivery of Toners and Cartridges | Kholwaz Projects (Pty) Ltd | 15 October 2018 | R 59,500.00 |
| 8/2/657/2018-2019 | Supply and Delivery of Tar Fix Asphalt Bags for 9 months | Ingcinga Zethu Enterprise | 15 October 2018 | R175 per bale |
| 8/2/658/2018-2019 | Supply and Delivery of Refuse Bags for 9 months | Andile SG Trading & Projects | 15 October 2018 | R250 per bale |

| | | | | |
|-------------------|--|---------------------------------|------------------|----------------|
| 8/2/647/2018-2019 | Internet/VPN with Hosted Telephone System | Vodacom (Pty) Ltd | 30 October 2018 | R 3,346,989.24 |
| 8/2/654/2018-2019 | Supply and Delivery of Office Furniture: MPAC Chairperson & Chiefwhip | Zisahe Trading Enterprise | 31 October 2018 | R 61,456.00 |
| 8/2/320/2018-2019 | Electrification of 320 Ngquushwa Villages Extension | AM Engineering Consulting | 09 November 2018 | R 5,180,916.29 |
| 8/2/658/2018-2019 | Supply and Delivery of Equipment for Lifeguard Services | Tshezilam Trading | 07 November 2018 | R 187,000.00 |
| 8/2/666/2018-2019 | Training for Chainsaw for 13 General Assistants | Onoria General Trading | 15 November 2018 | R 96,500.00 |
| 8/2/670/2018-2019 | Hiring of Sound System & Stage with Back-up generator | Carnation Delux Events | 27 November 2018 | R 164,000.00 |
| 8/2/656/2018-2019 | Marketing and Communication Services for Ngquushwa Entrepreneurial Ecosystem Project | Intelligent Business Soulitions | 30 November 2018 | R 57,392.50 |
| 8/2/663/2018-2019 | Printing Services for 36 Months | Sky Metro Equipment (Pty) Ltd | 06 December 2018 | R 1,852,857.00 |
| 8/2/664/2018-2019 | Service of Auctioneer for 36 Months | Mozi Auctioneers | 06 December 2018 | 3% of proceeds |
| SCM-01/07/18 | Operator for Mthonjeni Arts Centre | McInga & Company (Pty) Ltd | 13 December 2018 | |

LIST OF AWARDED TENDERS 2018-19 (JANUARY-MARCH)

| Bid number | Description | Service Provider | Award date | Tender Amount |
|-------------------|--|--------------------------------|------------------|---------------|
| SCM- 2019 | Resource Mobilization for NLM Business Plan Development & Small Town Revitalisation, Roads Upgrade & Surfacing and Sourcing of Funding | Gilgal Global Africa (Pty) Ltd | 28 January 2019 | |
| 8/2/665/2018-2019 | Subdivision of ERF 93, Rezoning of the New Portion , Land Surveying and Consolidation with ERF 2220, Peddie | Umhlabi Consulting Group | 04 February 2019 | R 164,450.00 |
| 8/2/701/2018-2019 | Supply and Delivery of Protective Clothing | Gxamza Trading | 14 February 2019 | R 187,000.00 |
| 8/2/702/2018-2019 | Supply, Installation, Replac, Repair and Maintenance of Airconditioners | Hlehlle M.Projects | 18 February 2019 | R 187,888.10 |
| 8/2/706/2018-2019 | Repairs and Maintenance of Glenmore High Mast Lights | Ndlambe Investments | 06 March 2019 | R 198,750.00 |

| | | | | |
|-------------------|---|--|---------------|----------------|
| 8/2/715/2018-2019 | Supply and Delivery of 5 Laptops | Ayaliwe Construction & Projects | 06 March 2019 | R 82,500.00 |
| 8/2/704-2018-2019 | Construction of Hamburg Internal Roads | Uluntu Developers | 26 March 2019 | R 2,136,736.93 |
| 8/2/700/2018-2019 | Microsoft Software Assurance License | SMS ICT Choice | 26 March 2019 | R 1,208,274.15 |
| 8/2/709/2018-2019 | Professional Services for Design,Supervision and Construction Monitoring of Leqeni Internal Streets | Kukho Consulting Engineers | 28 March 2019 | R 197,971.04 |
| 8/2/708/2018-2019 | Professional Services for Design,Supervision and Construction Monitoring of Rura Internal Streets | Kukho Consulting Engineers | 28 March 2019 | R 195,391.04 |
| 8/2/625/2018-2019 | Refurbishment Of Glenmore Sportsfield | ZKS & Nam General Trading t/a ZKS Projects | 28 March 2019 | R 1,359,988.52 |

LIST OF AWARDED TENDERS 2018-19

(APRIL-JUNE)

| Bid number | Description | Service Provider | Award date | Tender Amount |
|-------------------|--|---------------------------------------|-------------------|----------------------|
| 8/2/710/2018-2019 | Construction of Mthombe Community Hall | Andile SG Trading & Projects | 03/04/2019 | R 1,545,985.00 |
| 8/2/711/2018-2019 | Construction of Mabhongo Community Hall | Amatenza Construction | 03/04/2019 | R 1,600,663.15 |
| 8/2/712/2018-2019 | Construction of Dube Community Hall | ZKS Projects JV Gxamza Trading | 02/04/2019 | R 1,334,278.99 |
| 8/2/713/2018-2019 | Construction of Mtati Community Hall | Mpondo Moss Trading JV Golden Rewards | 02/04/2019 | R 1,381,014.75 |
| 8/2/714/2018-2019 | Construction of Bingqala Community Hall | Vaxobyte (Pty) Ltd | 03/04/2019 | R 1,499,180.60 |
| 8/2/666/2018-2019 | Training in Agriculture and Nature Conversation Brush Cutter in Commercial Forestry and Construction Maintenance & Drainage System Clearance | Onoria General Trading | 11/04/2019 | R 119,500.00 |
| 8/2/718/2018-2019 | Supply & Delivery of 6 New Tyres | Snanzo Developments | 11/04/2019 | R 198,999.00 |

| | | | | |
|-------------------|---|---|------------|-------------------|
| | Motor Grader , 12x New Tyres for Triton | | | |
| 8/2/720/2018-2019 | Accredited Training Providers to Conduct Peer Education 1-3 | Unakho Business Solutions | 11/04/2019 | R 136,500.00 |
| 8/2/722/2018-2019 | 12 New Tyres for Lowbed Truck, 4 x Ford Ranger, 4 x Toyota Quantum & 7 Truck Tyres | Top Level Premier Services | 23/04/2019 | R 193,980.00 |
| 8/2/717/2018-2019 | Supply and Delivery of Branding Material and Stationery for Library | Gxamza Trading | 29/04/2019 | R 66,400.00 |
| 8/2/721/2018-2019 | Construction of Peddie Location Community Hall | Hina Projects (Pty) Ltd JV Madoloza Civils | 02/05/2019 | R 1,362,618.33 |
| 8/2/722/2018-2019 | Electrical Engineering Services Turnkey Solutions for 2019/20 | Kuhlemcebo Engineering (Pty) Ltd | 16/05/2019 | R 4,950,865.00 |
| 8/2/719/2018-2019 | Branding of 6 Municipal Vehicles | Lamande Trading | 21/05/2019 | R 45,000.00 |
| 8/2/705/2018-2019 | Construction of Mpekwini Internal Roads | MVI Construction | 29/05/2019 | R 1,803,763.50 |
| 8/2/729/2018-2019 | Transfer & Registration of Various Municipal Properties on AD-Hoc basis for a period of one year | DM Lukhozi Attorneys | 18/06/2019 | |

CHAPTER 3

SERVICE DELIVERY PERFORMANCE

3.1. WATER PROVISION

Amathole District Municipality (ADM) is currently mandated to be a Water Services Authority and a Provider in this Municipality and is currently in a process of updating its water services development plan (WSDP) as the current one is outdated. This plan provides an overview of the coverage and gives a strategic direction to the ADM and identifies the most crucial projects in order of priority.

Bulk water infrastructure is provided by a number of dams and water purification works within the municipal area which is operated by the Amatola Water Board. Table 14 gives an indication of these

| DAM | DAM'S CAPACITY | FIRM YIELD (Mm ³ /pa) |
|---------------|----------------|----------------------------------|
| Dabi Dam | 0.23 | 0.50 |
| Mankazana Dam | 1.85 | 1.38 |
| Ndlambe Dam | 0.06 | 0.06 |
| Rura Dam | 0.05 | 0.05 |
| Sandile Dam | 7.4 | 4.14 |
| Laing Dam | 5.55 | 2.76 |
| TOTAL | 2.84 | 2.14 |

The Amatola Water Board also manages and operates six water treatment plants which collectively supply 2.84 million litres of portable water. These water treatment plants are as follows:

- i) Dabi water treatment works.
- ii) Peddie Regional water treatment works.
- iii) Glenmore (Enxuba) water treatment works.
- iv) Sandile Dam water treatment works.
- v) Laing dam water treatment works.

In Ngqushwa there is only one pump station which is located at the Water Works in Nqwenerana also known as Kingslyn. The water treatment works at Tyefu has been closed down and all the areas it used to serve are now being served by Glenmore Water Treatment works.

In Peddie, adequate water is supplied from the King's Lynn scheme which is also operated by the Amatola Water Board. In Hamburg, water is supplied by Amatola Water Board from Birha scheme which is also considered adequate for the present purposes. This source is however supplemented by three boreholes which constituted the town's original supply and which are capable of supplying 25% of the town's average requirement

Table: Source of water by ward and source

| Ward | Regional /local water scheme (operated by municipality or other water services provider) | Borehole | Spring | Rain water tank | Dam/pool/stagnant water | River/stream | Water vendor | Water tanker | Other | Grand Total |
|-------------|--|----------|--------|-----------------|-------------------------|--------------|--------------|--------------|-------|-------------|
| 212060 01 | 1341 | 1 | 2 | 154 | 97 | 5 | 57 | 27 | 16 | 170 1 |
| 212060 02 | 1110 | 6 | 1 | 191 | 34 | 56 | 18 | 35 | 235 | 168 6 |
| 212060 03 | 1547 | 2 | 3 | 93 | 32 | 1 | 8 | 88 | 17 | 179 2 |
| 212060 04 | 1208 | 14 | 4 | 138 | 73 | 37 | 4 | 70 | 10 | 155 8 |
| 212060 05 | 667 | 5 | 3 | 129 | 4 | 102 | - | 3 | 2 | 914 |
| 212060 06 | 944 | 7 | 4 | 441 | 55 | 6 | 2 | 182 | 25 | 166 7 |
| 212060 07 | 1063 | 44 | 15 | 373 | 79 | 59 | 38 | 250 | 23 | 194 3 |
| 212060 08 | 1246 | 9 | 2 | 277 | 110 | 112 | 18 | 57 | 39 | 187 1 |
| 212060 09 | 686 | 4 | 19 | 400 | 152 | 40 | 25 | 90 | 81 | 149 7 |
| 212060 10 | 1505 | 5 | - | 85 | - | 2 | 2 | 15 | 15 | 163 0 |
| 212060 11 | 1366 | 95 | 10 | 274 | 25 | - | 3 | 21 | 45 | 183 9 |
| 212060 12 | 854 | - | 2 | 407 | 65 | 3 | - | 60 | 27 | 141 8 |
| 212060 13 | 693 | 7 | 9 | 635 | 312 | 29 | 1 | 60 | 125 | 187 0 |
| Grand Total | 14229 | 199 | 74 | 359 5 | 1039 | 453 | 176 | 957 | 662 | 213 84 |

Source: Stats SA (2011)

1.2 SANITATION

There is only one sanitation treatment facility in the municipal area and this is at Peddie. The existing Waste Water Treatment Plant in Peddie is operating at its full capacity and is now overloaded. R90million project has been approved, and the consultant has been appointed (Accus Gibb) they are currently busy with planning, Design is expected to be completed by June and Implementation and by next financial year the project will be starting. There are no treatment facilities in Hamburg nor does the municipality render a service for the emptying of septic tanks. Rural areas use primarily pit latrines, which are simply moved when the old ones are full. ADM is busy with master plans of the projects.

3.3 ROAD MAINTENANCE

3.3.1 INTRODUCTION TO ROAD MAINTENANCE

The roads section is primarily responsible for the maintenance and rehabilitation of the Municipal paved; unpaved roads and storm water drainage within the Ngqushwa Municipal area. The municipality is responsible for 100% access to local roads within its jurisdiction, which include all streets within peri-urban and rural areas. It ensures the maintenance of a number of municipal roads which serve all communities and are regularly maintained, with the objective of addressing specific needs. The majority of municipal roads are gravel, with tar roads comprising 3% (12 km) of all municipal roads. The condition of tar roads 12 km is very bad, with a proportion of gravel roads 121km in good condition and ±579 km of gravel roads in very bad condition.

The municipality is responsible for the repairing of potholes on the existing surfaced road, and unblocking and cleaning of drainage ketch pit to maintain free flow storm water. Rehabilitation of existing roads, and re-gravelling and blading of gravel roads in rural and peri-urban on regular basis. There are approximately 1271.38km of roads in the municipal area. According to the Department of Roads and Public Works only 153.9km of these roads are tarred which translates to (12.11%) of the roads in the municipal area.

A total of 128 km gravel roads were maintained through dry blading; re-gravelling also a total of 1200m² of potholes were patched (tar roads) in the year under review.

The district comprises national, trunk, main, district, minor and access roads. The Major towns are linked by an adequate network of roads and there is also a good network of proclaimed gravel roads traversing the municipal area. The roads linking the various rural settlements are in a poor state of repair and are not adequately maintained. Municipality is only focusing on maintaining and constructing internal and access roads and in its jurisdiction, ±700km's is gravel roads and 8.3km's is surface roads

The following are the actions taken by the Municipality to minimize the current conditions of roads

1. Business plans have been developed by the Municipality and currently sourcing funds to upgrade the Municipal gravel roads and storm water drainage.
2. Department of Transport is currently busy with the procurement of upgrading R345 of surfacing (R72 to Hamburg and Double drift game reserve to Peddie Town).

Road – Storm Water Section Staff

| Job level/ Task Grade | Year 18/19 | | | |
|-----------------------|------------|---------------|--------------------------------------|-------------------------------------|
| | Posts No. | Employees No. | Vacancies (Fulltime equivalents) No. | Vacancies (as a % of total posts) % |
| 0 – 3 | 3 | 3 | 0 | 100 |
| 4 – 6 | 9 | 1 | 0 | 100 |
| 7 – 9 | 1 | 0 | 1 | 100 |
| 10 – 12 | 2 | 1 | 0 | 100 |

3.4 PROJECT MANAGEMENT UNIT (PMU)

Project Management Unit section ensures that everybody has access and better services as enshrined in the Constitution of the Republic. All the projects that were prioritised by the municipal council for 18/19 financial year and budgeted for, at the end of the financial year were completed.

Project Management Unit is the section that is specifically dealing with the project implementation of the municipal capital projects. Responsible for the administration and financial management of MIG and any other Capital funds within the department and national accounting systems for infrastructure projects of the department.

Management of the MIG and the preparation of all necessary reports to the Provincial MIG Management Unit and the National MIG Unit the relevant provincial and national departments. Ngqushwa Municipality in terms of Division of Revenue Act (Act No 29 of 2013) forms part of the municipalities that receive grants from national treasury. The municipality is required to submit projects to be implemented under MIG to Provincial and National treasury and report to Treasury about expenditure on the grant.

3.4.1 PMU PROJECTS IN 2018/2019 FY

| PROJECT NAME | WARD | STATUS |
|--|------|----------------------|
| 1.8 km Surfacing of Peddie Town Street Phase 1 | 8 | Complete |
| 1.5 Km Surfacing of Peddie Town Street Phase 2 (Power) | 8 | Complete |
| Shushu Community Hall | 3 | Complete |
| Mthombe Community Hall | 2 | Complete |
| Mabhongo Community Hall | 3 | Complete |
| Dube Community Hall | 4 | Complete |
| Mtati Community Hall | 10 | Complete |
| Bingqala Community Hall | 12 | Complete |
| Peddie Location Community Hall | 8 | Complete |
| Qhugqwala Internal Roads (5km) | 2 | Complete |
| Mpekwani Internal Roads (5km) | 11 | Contractor appointed |
| Runlets Internal Roads(5km) | 9 | Complete |
| Wesley Internal Roads (5km) | 12 | Complete |
| Hamburg Internal Roads (7.5km) | 12 | Contractor appointed |

3.4.2 EPWP EMPLOYMENT AND EXPENDITURE

During 2018/2019 Financial Year Ngqushwa Local Municipality employed 136 people through EPWP. The following are the projects implemented through EPWP

| PROJECTS | NUMBER |
|---------------------------|------------|
| N2 Road crossing | 4 |
| Interns | 5 |
| Home base care | 14 |
| Roads Casuals | 10 |
| Road rangers | 16 |
| Social services | 4 |
| Heritage sites | 39 |
| Waste Casuals | 35 |
| Life Guards | 9 |
| 2018/19 EPWP TOTAL | 136 |

The expenditure on EPWP as at the end of June 2019 is 100%

3.4.3 MIG EXPENDITURE

The expenditure on MIG as at the end of June 2019 is 100%

PMU Section Staff

| Job level | Year 18/19 | | | |
|-----------|------------|---------------|--------------------------------------|-------------------------------------|
| | Posts No. | Employees No. | Vacancies (Fulltime equivalents) No. | Vacancies (as a % of total posts) % |
| 0 – 3 | 0 | 0 | 0 | 0 |
| 4 – 6 | 0 | 0 | 0 | 0 |
| 7 – 9 | 6 | 7 | 0 | 100 |
| 10 – 12 | 2 | 3 | 0 | 100 |
| 13 – 17 | 2 | 1 | 0 | 100 |

3.5 ELECTRICITY

The Millennium Development Goal states that all households must have universal access to electricity by 2025. Access to electricity will alleviate poverty as the use of electricity supports lighting and cooking facilities. Eskom supplies electricity in the jurisdiction of Ngqushwa Local Municipality. The 2011 census figures depicts that there are 21384 households in the municipal area of which 94.65% households have access to electricity. This backlog is made up of in-fills and new extensions, rural and farm dweller homes. Eskom supplies electricity to the rural and farm dweller homes.

The electricity supply to the areas of Ngqushwa is provided and maintained by Eskom in accordance with their Rural Electrification Programme. According to Eskom records there is no electricity backlog in Ngqushwa electrification, the only areas that are not electrified are the in-fills and new extensions of the villages. Ngqushwa local municipality is only maintaining street lights and its own buildings.

Electricity Services Policy

Currently there is no electricity services policy in the municipality, the municipality has only the electricity maintenance plan.

Electricity Section Staff

| Task grade | Year 18/19 | | | |
|------------|------------|---------------|--------------------------------------|-------------------------------------|
| | Posts No. | Employees No. | Vacancies (Fulltime equivalents) No. | Vacancies (as a % of total posts) % |
| 0 – 3 | 0 | 0 | 0 | 0 |
| 4 – 6 | 3 | 3 | 0 | 100 |
| 7 – 9 | 0 | 0 | 0 | 0 |
| 10 – 12 | 0 | 0 | 0 | 0 |
| 13 – 16 | 1 | 1 | 0 | 100 |

3.6 PLANNING AND DEVELOPMENT

This component includes: Planning and Local Economic Development.

Opportunities

- i) Agriculture Potential: Ngqushwa Municipality has several irrigation schemes namely Tyhefu, Ngxakaxha, just to mention but a few. Citrus farms (Oranges and pineapples) are found within the Ngqushwa Municipality jurisdiction. Availability of quality livestock, Aloe and Honey.
- ii) Tourism Attraction: Ngqushwa Municipality has annual commemoration for Tourism attractions such as Mqwashini, Uhumbo Loxolo, Hamburg Tourist Attraction, Hiking trails, Beach, Accomodations
- iii) Spatial Planning (Developmental Nodes & Corridors): Ngqushwa Local Municipality has several nodes and corridors identified in the Municipal Spatial Development Framework that can be developed so as to achieve socio-economic development.
- iv) Personnel: The Municipality has hired knowledgeable staff in various sections such as LED Staff, Housing, Spatial Planning and Land Use Management Staff and Waste and Environment Staff. The main aim is to get the maximum gain from the potential that the Municipality has.
- v) The 42km Coastline also presents an opportunity that can unlock the economic potential of Ngqushwa area. It is in line with the mandate of Operation Phakisa which prioritise the Oceans Economy

Challenges

- i) Lack of funds
- ii) Human capacity
- iii) Rural nature of the area
- iv) Size of the Municipality

Even though the directorate has sections and staff but it yet to be a stand-alone directorate due to lack of funds for appointing both Port-folio head and Head of Department. It is still amalgamated with community services.

3.6.1 SPATIAL PLANNING AND DEVELOPMENT

STUDY AREA OVERVIEW

Ngqushwa Local Municipality (EC126) is a Category B municipality and is approximately 2245 km² in extent and comprises two major urban areas i.e. Peddie and Hamburg. It is one of the six municipalities within the jurisdiction of the Amathole District Municipality, situated within the Eastern Cape Province. It is bordered by the Keiskamma River to the east and the Great Fish River to the west. The southern boundary comprises part of the coastline of the Indian Ocean with the coastal areas including Hamburg, Mgwalana, Bhira and Mpekweni.

Ngqushwa LM is one of the smaller municipalities in the district, accounting for 10% of its geographical area. It is predominantly rural in nature. Ngqushwa Local Municipality is traversed by both the National N2 to the North and the R72 to the South. Both the N2 and the R72 are routes which connect the towns to the entire Eastern Cape; as well as the central and western part of the Eastern Cape, respectively. The study area is bordered by Buffalo City Metropolitan Municipality to the North East, Raymond Mhlaba LM to the North-West; Makana Local Municipality to the South-West and Ndlambe Local Municipality to the far South. Ngqushwa Local Municipality consists of 12 wards and 108 rural villages.

INTRODUCTION

Spatial Planning and Development is a key component of all local municipality's within the republic. The Municipal Development Framework is the key guideline for all spatial plans of the municipality and is a legally required component of the Municipal's IDP in terms of Section 26(e) of the Municipal Systems Act (MSA). Also Section 20 of SPLUMA requires the Municipal Council to adopt a Municipal SDF for the Municipality and Section 21 further outlines the content of the Municipal SDF's. This function is a statutory function, which by its very nature reflects the spatial values, principles and proposals according to the future development visions and policies of the communities residing within our municipality. This spatial reflection of the IDP represents an important social compact which should be paramount in assessing where development should be permitted, or not permitted, in any area of the municipality.

In terms of Section 26 (e) of the MSA, an "Integrated Development Plan must reflect a Spatial Development Framework which must include the provision of basic guidelines for Land Use Management System for the Municipality".

Section 22 (1) and (2) of SPLUMA outlines the status of Spatial Development Frameworks and procedures for decision making:

- Section 22 (1) : A Municipal Planning Tribunal or any other authority required or mandated to make a land development decision in terms of this Act or any other law relating to land development, may not make a decision which is inconsistent with a municipal spatial development framework.
- Section 22 (2) : Subject to Section 42, a Municipal Planning Tribunal or any other authority required or mandated to make a land development decision, may depart from the provisions of a municipal spatial development framework only if site-specific circumstances justify a departure from the provisions of such municipal spatial development framework.

Spatial Planning & Land Use Management Functions Summary:

Manage all subordinate staff and assets (fleet and tools of trade) of the section.

| | |
|---|--|
| # Manage the effective and efficient budgeting of the section. # Preparation of Business Plans for all programmes. | Manages Human Settlements Planning: Manage multi-year Human settlements Sector Plan development; Townships Establishments; Property acquisitions; Housing Needs register; Business Plans; Project funding; Beneficiary Allocations & general admin. Prepare grant funding applications |
| Manages Spatial Planning: Spatial Development Framework & Local SDF preparation & reviews; Master Planning and implementation; Urban Management; Implementation of strategic planning projects and programmes; Policy awareness | Building Control: Development and Enforcement of local building by-laws and policies; Efficient processing of plans. |
| Manages Land Use: Processing of all land use & development planning applications; Council items, Enforcement and approval of business license applications and development & enforcement of relevant by-laws, policies and systems. | Property Management: Development & enforcement of policies; Disposal of land; land leases; land acquisition; Coordinate Disposal Committee and land forum etc. |
| Manage Survey Projects: Survey for GP Preparation (township establishment); SG Diagrams for minor subdivisions; identification of pegs; relocation of pegs for various projects. | Disaster Management: Coordinate all disaster programmes; facilitate and coordinate disaster emergency applications for victims; facilitate and coordinate submission of grant funding applications to human settlements. |

Spatial planning and development is a process to co-ordinate and optimize human activities, which require physical space or have an impact on physical space in an attempt to promote social, economic and environmental development. Physical planning is therefore a public sector function

which aims to promote public investment and regulatory frameworks within which private sector and public sector decision making and investment can take place. The municipality through its MSDF which is compiled in terms of the Municipal Systems Act 32 of 2000 and the Spatial Planning & Land Use Management Act 16 of 2013 aims to formulate spatially based policy guidelines whereby changes, needs and growth within the municipal jurisdiction are managed to the benefit of the whole community. The spatial planning and development function further guides and informs all decisions of the Municipality relating to spatial planning, land use, land development, building control, immovable property management and human settlements within a balanced assessment of needs and to provide adequately for social and economic demands within a growing economy and population.

One of the key areas of this function is the Municipal Spatial Development Framework which provides a spatial vision, direction, objectives, strategies and projects which are then elevated and form the key component of the municipality's Integrated Development Plan (IDP). The municipality's MSDF does not make detailed proposals for specific land portions, but rather provides broad spatial planning and land use management guidelines to assist the administration decision making with regard to land use and spatial planning. This section deals with the (spatial planning, land use management, property management, development facilitation, building control and human settlements).

These ensure a coordinated planning and reduces unplanned and illegal development. However there are still challenges that include non-submission of land use and building permit applications due lack of knowledge, culture and deliberate resistance to comply. The municipality has reviewed its five (5) year Municipal Spatial Development Framework during the 2018/19 financial year.

Ngqushwa Local Municipality had over the years lacked a proper planning section, however the establishment of this section as well as Building Control office has brought a new dimension to the Municipality. The objectives of the Spatial Planning and Land Use Management Function can be summarized as follows:

- i) The broad objectives of the Ngqushwa SDF are outlined in the various policy mechanisms and guiding legislation, specifically SPLUMA and MSA.
- ii) The SDF should:
- iii) Give effect to the development principles contained in Chapter 2, Section 7 of SPLUMA;
- iv) Spatial representation of a five-year spatial development plan for the spatial form of the municipality;
- v) Include a longer term spatial development vision statement for the municipal area which indicates a desired spatial growth and development pattern;
- vi) Identify current and future significant structuring and restructuring elements, including development corridors, activity spines and economic nodes where public and private investment will be prioritized and facilitated;
- vii) Include estimates of the demand for housing and the planned location and density of future housing developments;
- viii) Identify and provide requirements of engineering infrastructure and services provision;
- ix) Include a strategic assessment of the environmental pressures and opportunities;

- x) Identify the designation of areas in which-
 - More detailed local plans must be developed
 - Shortened land use development procedures may be applicable
- xi) Determine a capital expenditure framework for the municipality's development programmes;
- xii) Include an implementation plan comprising of-
 - Sectoral requirements, including budgets and resources for implementation
 - Necessary amendments to a land use scheme
 - Specification of institutional arrangements necessary for implementation
- xiii) Compliance with National Building Standards Act and Regulations for every construction taking place within the municipality so as to ensure orderly and harmonious development.
- xiv) Promote sustainable development and enforce urban edge policy so as to avoid urban sprawl.
- xv) Proper management and disposal of municipal immovable property.
- xvi) Attraction of investment into the municipality through spatial planning and land use management initiatives.
- xvii) Development of a land use scheme so as to avoid haphazard planning and ensure harmonious development.
- xviii) Compliance with Spatial Planning and Land Use Management Act (16 of 2013).

NATIONAL DIRECTIVES

The Constitution of South Africa, 1996 (Act No. 108 of 1996)

This Act describes the relationship between government institutions through the introduction of three (3) overlying planning processes and sets plans, each relating to each sphere of government. In order to enable the state to respect, protect, promote and fulfil this right and to ensure that the quality of life of each citizen is improved. The Constitution awarded major developmental responsibilities to local government.

Section 153 states that as part of the development duties, a municipality must:

- Structure and manage its administration, budgeting and planning processes to give priority to the basic needs of the community.
- Promote social and economic development of the community; and
- Participate in national and provincial development programmes.

Schedule 4 of the Constitution provides for functional areas of concurrent national and provincial legislative competence in terms of regional planning and development, urban and rural development; and municipal planning while Schedule 5 makes provision for provincial planning.

The development of this Ngqushwa LM SDF must therefore take into consideration the provision of the basic community needs, promotion of the social and economic development of the area and at the same time aligning to the national and other provincial development programmes and projects.

The Municipal Systems Act (Act 32 of 2000)

The Act developed the key concept of the Integrated Development Plan (IDP) of a municipality. The Municipal Systems Act describes the IDP as a single, inclusive and strategic plan, for the development of a municipality that will be the principal strategic planning instrument, which guides and informs all planning and development, and all decisions with regard to planning, management and development in the municipality. The following sections are noted from MSA (32 of 2000):

- S26 (e) specifies Spatial Development Framework (SDF) as the core component of Integrated Development Plans (IDP), including the provision of basic guidelines for a land use management system for the municipality.
- S24 (1) requires that municipalities should align their planning with national and provincial planning, as well as those of affected and adjoining municipalities.
- S23 states that municipal planning must be developmentally-orientated which implies that development planning must be geared towards fulfilling the objectives and duties set out in Section 153 of the Constitution.
- Sections 3 and 4 recommend that municipal planning must take place within the framework of co-operative government, implying that municipal planning cannot take place in isolation but must be aligned with plans and strategies of national, provincial and local government.

The above implies that the development of the MSDF must be geared towards fulfilling the objectives and duties as set out in Section 153 of the Constitution. The Act also implies that the development of the MSDF must not take place in isolation but must be in alignment with other plans and strategies of national, provincial and local government. The MSDF should promote a need for thorough and sustained community participation in planning and governance activities as enshrined in the above Act.

Spatial Planning and Land Use Management Act, (SPLUMA, 2013 (Act 16 of 2013))

This Act provides a framework for spatial planning and land use management in the country and advocates for the preparation of a municipal spatial development framework which must contribute to and express municipal development policies and plans emanating from the various sectors of the provincial and national spheres of government. The Act also outlines the content and legal effect of municipal spatial development framework and must co-ordinate, integrate and align with the plans, policies and development strategies of national, provincial and local governments of the country.

Section 16 of the Act provides the content of the spatial development framework to include the following:

- Providing a spatial representation of the land development policies, strategies and objectives of the municipality, including the municipality's growth and development strategy where applicable;

- Indicating the desired and intended pattern of land use development in the province, including the delineation of areas where development of a particular type would not be appropriate;
- Co-ordinating and integrating the spatial expression of the sectoral plans of municipality departments;
- Providing a framework for co-ordinating municipal spatial development frameworks with each other where they are contiguous;
- Co-ordinating municipal spatial development frameworks with the provincial spatial development framework and any spatial frameworks as they apply in the province; and
- Incorporating any spatial aspects of relevant national and provincial development strategies and programmes as they apply in the municipality.

The Development Principles of SPLUMA

The Act also spells out five founding development principles in Section 7 that apply to spatial planning, land development and land use management in the country. These are:

- **Spatial Justice:** past spatial and other development imbalances must be redressed through improved access to and use of land by disadvantaged communities and persons.
- **Spatial Sustainability:** spatial planning and land use management systems must promote the principles of socio-economic and environmental sustainability through; encouraging the protection of prime and unique agricultural land; promoting land development in locations that are sustainable and limit urban sprawl; consider all current and future costs to all parties involved in the provision of infrastructure and social services so as to ensure the creation of viable communities.
- **Efficiency:** land development must optimize the use of existing resources and the accompanying infrastructure, while development application procedures and timeframes must be efficient and streamlined in order to promote growth and employment.
- **Spatial Resilience:** securing communities and livelihoods from spatial dimensions of socio-economic and environmental shocks through mitigation and adaptability that is accommodated by flexibility in spatial plans, policies and land use management systems.
- **Good Administration:** all spheres of government must ensure an integrated approach to land use and land development. This principle is the fulcrum of this framework largely because implementation of the spatial planning vision and objectives is not only highly dependent upon a strong coordinating role of central government, but is also predicated upon good governance mechanisms, incorporating meaningful consultations and coordination with a view to achieving the desired outcomes across the various planning spheres and domains.

The objectives of SPLUMA:

- Provide for a uniform, effective and comprehensive system of spatial planning.
- Ensure that the system of spatial planning and land use management promotes social and economic inclusion.
- Provide for development principles and norms and standards.
- Provide for the sustainable and efficient use of land.
- Provide for cooperative government and intergovernmental relations.
- Redress the imbalances of the past and to ensure that there is equity in the application of spatial development planning and land use management systems.

Principle of good administration sets a clear way forward for developmental government whereby:

- All spheres of government ensure an integrated approach to land use and land development that is guided by the spatial planning and land use management systems as embodied in this Act.
- All government departments must provide their sector inputs and comply with any other prescribed requirements during the preparation or amendment of spatial development frameworks.
- The requirements of any law relating to land development and land use are met timeously.
- The preparation and amendment of spatial plans, policies, land use schemes as well as procedures for development applications, include transparent processes of public participation that afford all parties the opportunity to provide inputs on matters affecting them.
- Policies, legislation and procedures must be clearly set in order to inform and empower members of the public.

Spatial Planning and Land Use Management Strategic goal

- To create a conducive environment to address the social, economic, environmental and cultural needs of the communities in order to ensure sustainable development in accordance with Spatial Planning & Land Use Management Act principles and National Development Plan.

Spatial Planning and Land Use Management Strategic objectives

- To review and implement a wall to wall SPLUMA compliant Spatial Development Framework (SDF).
- To create community awareness of planning and building policies and legislation.
- To ensure effective implementation and decision making in line with SPLUMA principles and processes.
- To improve asset register (immovable property), revenue generation and compliance with zoning regulations.
- To review and implement a Housing Sector Plan (HSP) to facilitate planning and development of Human Settlements.

Section Strategic Objectives:

A. Spatial Planning & Land Use Management:

- To promote equitable and inclusive access for spatial justice (improving access to opportunities, services and amenities) by improving economic and social inclusion.
- To manage planning and land development in line with the General Principles of the Spatial Planning and Land Use Management Act 16 of 2013 (SPLUMA) and related legislation.

Specific objectives

- *To give effect to the vision, goals and objectives of the municipal IDP, NSDP and EC Provincial Spatial Development Plan.*
- *To ensure sustainable development practices across the municipal area.*
- *Implement Small Town Revitalization strategy programmes.*
- *Promote access to ownership and use of land by previously disadvantaged groups.*
- *Development and implement a Municipal wide Land Use Scheme.*

B. Building Control:

- To ensure effective enforcement of planning & building policies and by-laws in order to achieve orderly development.

Specific objective

- *To create awareness and systems for plan submission and approval.*

C. Land & Housing:

- To promote integrated sustainable Human Settlements

Specific objectives

- *Position human settlements development in quality environments and close to socio-economic opportunities*
- *To effectively manage the use and development of municipal property.*

D. Disaster

- To facilitate & coordinate support during disaster incidents (all hazards).

Specific objectives

- *Effectively attend to local disaster incidents through the implementation of Disaster Management and Contingency Plans.*

Strategic Objectives

- To review and implement a wall to wall SPLUMA compliant Spatial Development Framework.
- To create community awareness of planning and building policies and legislation.
- To ensure effective implementation and decision making in line with SPLUMA principles and processes.
- To improve asset register (immovable property), revenue generation and compliance with zoning regulations.

- To review and implement a Housing Sector Plan (HSP) to facilitate planning and development of Human Settlements.

MSDF Development opportunities - The following opportunities have been identified in the reviewed 2019 Municipal Spatial Development Framework (MSDF):

- There is potential for renewable energy through wind farming, this means that wind farming is a variable source of energy that will attract investment and infrastructure development.
- Agriculture and Farming still remain the major contributor to the municipality's GDP and local economic development. The municipality is currently strengthening emerging farmer support through various programmes in order to sustain and further grow the industry.
- The Municipality forms part of the wild coast meander tourism route along the coast and wildlife tourism and has great potential for growth and this continues to be part of the Municipalities development perspective.
- There is potential for residential, industrial and commercial activity in the Peddie region.

The course of urban development and urban growth in the last twenty years has been taking an increasingly green outlook in terms of how a town should look in its growth process hence the expansion of Peddie and Hamburg towns has been proposed. These initiatives will boost investor confidence, which in the long run will lead to sustainable socio-economic development. The municipality in an attempt to bring about awareness and understanding around spatial planning and land use management policies has held various community workshops.

MSDF Development Challenges

The following development challenges or constraints were identified in the 2019 MSDF Review:

- Dispersed and uncontrolled settlement growth, pattern and trend.
- Low economic growth, high unemployment, low skills levels, high levels of poverty and high inequality exist within NLM.
- The municipality have huge backlogs in water, sanitation, electricity, refuse, and road network. There are also other challenges such as poor accessibility of facilities and quality outputs affecting education, health, Public transport, social development and safety and security. These challenges militate against the strength of the municipality to better the lives of our people.
- Uneven development between rural and urban areas (need to build the economic base of rural areas).
- Lack of sustainable development and inappropriate use of resources resulting to harmful impact on the health and well-being of present and future generations of NLM.

Summary of Key issues and Objectives from the MSDF and IDP

Table 1: Key issues and objectives

| No | Key Spatial Issue | Spatial Objectives |
|----|--|---|
| 1 | Dispersed and uncontrolled settlement growth, pattern and trend. | To create a directed, integrated and compact human settlements growth with quality physical, economic and social environments within NLM. |
| 2 | | Strives to ensure the creation of wealth using natural resources within the areas thereby promoting sustainable economic growth. |

| No | Key Spatial Issue | Spatial Objectives |
|----|---|---|
| | Low economic growth, high unemployment, low skills levels, high levels of poverty and high inequality exist within NLM. | <p>To conserve available natural resources in order to ensure sustainable tourism and heritage growth and development</p> <p>To market NLM as a tourism destination of choice</p> <p>To conserve available natural resources in order to ensure sustainable agricultural growth and development.</p> <p>To enhance equitable access and participation in agricultural opportunities by unlocking agricultural and entrepreneurial potential.</p> <p>To create an enabling environment that promotes the development of the local economy and facilitates job creation.</p> <p>To ensure effective, efficient and economic coastal management of the environment by 2022 and beyond.</p> |
| 3 | Few households still do not have access to basic services, such as, potable water supply, sanitation, electricity, transport and housing as well as social infrastructure, like cemeteries, education and health etc. | <p>To manage quality basics services provisioning in order to ensure rendering of sustainable and affordable services to the communities of NLM by 2022 and beyond.</p> <p>To manage administration and implementation of capital projects for internal roads and community facilities.</p> <p>To manage the provisioning and maintenance of infrastructural services to ensure the rendering of effective, efficient, economical and sustainable services and in accordance with applicable legislation, by-laws and standards..</p> <p>To provide easily accessible new facilities that accommodate persons with disabilities whilst adapting, upgrading and maintaining existing ones.</p> <p>To manage the provisioning and maintenance/ operation of social and community services (parks, sport grounds, education, health and public amenities).</p> <p>To manage the rendering of efficient and sustainable traffic and law enforcement services to all road users.</p> |
| 4 | Uneven development between rural and urban areas (need to build the economic base of rural areas) | <p>To provide land for residential development to accommodate various categories of the population.</p> <p>To provide land for commercial, industrial and agricultural development</p> <p>To enforce compliance with the Town Planning Scheme in Peddie and Hamburg urban areas.</p> |
| 5 | Lack of sustainable development and inappropriate use of resources resulting to harmful impact on the health and well-being of present and future generations of NLM. | Ensure the optimal use of resources effectively and efficiently through active community participation in order to protect the environment for the benefit of present and future generations through the use of natural resources, whilst promoting justifiable social and economic development. |

Source: NLM MSDF 2019

3.6.2 LAND AND HUMAN SETTLEMENTS

Overview

Ngquushwa is predominantly rural with only 5% of the population living in the urban areas, as opposed to 95% of the population who reside in the rural areas.

The settlement patterns of Ngquushwa can be divided into two categories as following:

i) Urban Areas

Peddie and Hamburg are the only two proclaimed towns within the municipality. There are peri-urban settlements established outside of both of these nodes which in the case of Peddie almost encircle it.

Peddie can be regarded as a regional hub for service rendering to the entire municipal area. The majority of the region's services and facilities are located here and economic and social functions are performed from here. It also plays an important administrative role as the seat of the municipality is also in Peddie. Not all areas of the town are serviced, particularly the lower income areas which are found in the main part of the town. The Municipality has packaged 4 anchor projects as a starting point namely:

- Peddie Shopping Centre and Middle Income Housing
- Peddie Light Industrial Zone
- Peddie Town Infill and Densification Development
- Nompumelelo Filling Station
- Agriculture and Farming programmes

Hamburg is regarded as being primarily a holiday destination with great potential for oceans economic development and small harbours. Development in this area has become stagnant over the past 3 decades and facilities remain in a poor condition. The area is also not actively promoted as a holiday destination. However, as part of trying to revitalise the town, Ngqushwa Local Municipality is in the process to resuscitate Hamburg through Small Towns Revitalisation Model. The Municipality has packaged 4 anchor projects as a starting point namely:

- Beach front Upgrade
- Hamburg Town Revitalisation
- Aquaculture Project Expansion
- Commercial Property Development

ii) Rural Areas

The majority of the population that is 95% resides in the rural area which means that access to essential services and facilities by the majority of the population is also limited. This also compromises the municipality's ability to raise revenue on the basis of services. These limitations have been recognized by the municipality and are in the process of being addressed.

There are 108 rural villages which are scattered throughout the municipal area. These villages are surrounded by commonage land that is used for a mix of agricultural purposes including crops and livestock which are farmed primarily on a subsistence basis.

The Rural villages can be classified as follows:

- a) **Traditional rural villages** such as Bell, Bodium, Crossroad, Lover's Twist, etc. which owe their establishment to their proximity to an agricultural resource base.
- b) **Rural villages established in response to commercial agricultural needs** in terms of labour on commercial farms. These villages are primarily in ward 6, 7 and 11 and include Benton, Tarfield, Jamesdale, Stourpoort and Lewis.

- c) **Holiday resorts** such as Birha, Mgwalana, and Mpekweni resorts which are newly developed in response to the localized resort potential of the coastal area.
- d) **Minor and isolated farm communities** scattered throughout the municipal area.
- e) **Conservation Areas** - There are a number of environmentally sensitive areas which are categorized as conservation areas and which are primarily situated along the coast.

Land tenure availability and distribution

There is sufficient rural and urban land available in Ngqushwa municipal area to accommodate the short, medium and long term demand for land. Land release is however problematic and numerous tenure and distribution issues needs to be addressed. In Ngqushwa municipal area, most urban land is owned by the municipality. Rural land is however primarily state owned and interspersed with a number of informal land rights.

A need was identified to convert the tenure of the large tracts of state owned land to communal ownership. Land release for housing projects has either been very slow, or has not been responded to in spite of the submission of applications to that effect. Ngqushwa is also characterized by a diversity of land uses and land tenure which is primarily attributable to the previous dispensation as evidenced by historical forms of land rights, such as African freehold, quitrent and permission to occupy (PTO) which are still prevalent in the area.

The land tenure arrangements prevalent in Ngqushwa LM are summarized in table below:

Table 2: Land tenure arrangements within Ngqushwa

| Land Tenure | Land Right |
|--|--|
| Bell/Bodium | Freehold/quitrent |
| Tyefu irrigation scheme communities of Glenmore, Ndwayana, Pikoli-Kalekeni and Ndlambe. Glenmore was established late 70's early 80's, Ndwayana | PTO's in dense settlement Others old nineteenth century settlements PTO's under ta New tenure arrangements introduced by Ulimocor/irrigation scheme, with foot plots, etc., but never with full community sanction. |
| All other rural settlements | PTO's |
| Surveyed farms, formerly white owned, purchased by SANT to consolidate former Ciskei | Currently black owned or "leased" pending transfer to black farmers (conveyancing problems) or to be transferred to groups of occupiers with IPILA rights-CPA. |
| Former Ulimocor pineapple farms, same as above. Three separate blocks of land in the south east. | Tenure still under the state, company (Pineco) running pineapple production, workers organized under Peddie pineapple development Trust-intention to investigate transfer of land to trust over time. |

SOURCE: NLM MSDF & IDP 2019

There are a number of surveyed farms which were acquired from former white owners, some of which are in the process of being transferred to Black commercial farmers and holders of IPRA

rights. There are also farms which have been transferred to former lessees who had deeds of sale under the Ciskei regime. Delays are however being experienced with the transfers of the above properties due to a number of reasons including unregistered subdivisions. Land redistribution is also a complex issue and is a major issue within this municipality. The Amathole District Land Reform and Settlement Plan identified the following crucial issues in respect of the current state land disposal process.

- There is a lack of consultation between the local municipality and Department of Rural Development and Land Reform (DRDLR) and Department of Rural Development and Agrarian Reform (DRDAR) over decisions regarding the disposal of state farms.
- There is insufficient information about the extent and availability of land earmarked for disposal available to the local authority and communities.
- Legitimate land owners do not have their title deeds.
- The process whereby the legal occupant of land is identified needs to be done faster.
- Communities need to be given information on how to access land for farming and the relevant policy provisions.
- There is a need for greater support and communication from DRDLR
- The restructuring agreements and subsequent land rights and transfers between the former parastatal, Ulimocor and the Peddie community development trust need to be finalized as there are economic benefits to this. There are unresolved land claims that still needs to be resolved.

Housing Type and quality

- There are about 12 189 adequate dwellings and about 4 960 inadequate dwelling in NLM.
- The inadequate dwellings constitute an important component of housing need, that is, a backlog.
- The formal dwellings have increased in number from 2001 to 2016.
- Traditional dwellings have been reduced from 10 098 in 2001 to 3 966 in 2011 and to 3 859 in 2016. These traditional dwellings are mostly found in the rural areas of NLM.

Table 3: Type of Dwelling

| | 2001 | | 2011 | | 2016 | |
|--|---------------|--------------|---------------|--------------|---------------|--------------|
| | No | % | No | % | No | % |
| House or brick structure on a separate stand or yard | 13 218 | 51.7 | 15 418 | 72.1 | 11 446 | 66.7 |
| Traditional dwelling or structure made of traditional material | 10 098 | 39.5 | 3 966 | 18.5 | 3 859 | 22.5 |
| Flat or apartment in block of flats | 531 | 2.1 | 621 | 2.9 | 500 | 2.9 |
| Town house/Cluster house/semi-detached house | 0 | 0 | 35 | 0.2 | 38 | 0.2 |
| House/flat/room in back yard | 494 | 1.9 | 222 | 1.0 | 152 | 0.9 |
| Informal dwelling/shack in backyard | 168 | 0.7 | 147 | 0.7 | 67 | 0.4 |
| Informal dwelling/shack not in backyard | 708 | 2.8 | 578 | 2.7 | 502 | 2.9 |
| Room/flatlet not in backyard but on shared property | 116 | 0.5 | 207 | 1.0 | 205 | 1.2 |
| Caravan or tent | 0 | 0 | 12 | 0.1 | 10 | 0.1 |
| Others | 232 | 0.9 | 178 | 0.8 | 370 | 2.2 |
| Total | 25 564 | 100.0 | 21 384 | 100.0 | 17 149 | 100.0 |

Source: Census 2001 & 2011 and Community Survey, 2016

Informal Housing:

- From the above table, there are 569 informal dwellings in NLM, either in the form of shacks in backyard or shacks in informal settlements in 2016.
- The presence of 380 households residing in caravan and others calls for some demand for rental accommodation provision, especially in the urban nodes.
- There are 502 households currently residing in informal dwellings not in backyard and this indicates a need for slum upgrading and/or rental accommodation.

Current housing projects:

- Peddie 500 was unfinished with 106 units outstanding. The department of Human Settlements has prepared an application for funding to complete the project.

Table 0: Approved Housing Projects (Planned Housing Projects)

| Project Name | Ward | No. of sites | Project Type | Yr. 1 2016 | |
|---------------|------|--------------|---------------|-------------|---------------------|
| Mpekweni | 12 | 500 | Rural housing | 500 | Adjudication phase. |
| Gcinisa South | 11 | 500 | Rural housing | 500 | Adjudication phase. |
| Hamburg | 11 | 500 | Rural housing | 500 | Adjudication phase. |
| Total | | 1500 | | 1500 | |

Source: Ngqushwa IDP 2016 – 2017

Planned and surveyed sites

- The following settlements within the municipality have recently been planned and surveyed as pilot projects in order to facilitate service and infrastructural provision as advanced by the Rapid Land Development and People's Housing Process.

Table 5: Planned and surveyed sites

| Area | Approximate number of sites | Area | Approximate number of sites |
|--------------|-----------------------------|-------------|-----------------------------|
| Hamburg | 600 | Cisira | 500 |
| Mpekweni | 1000 | Runlets | 450 |
| Gcinisa | 500 | Tuku A | 527 |
| Ntilini | 350 | Durban | 500 |
| Glenmore | 600 | Madliki | 500 |
| Prudhoe | 350 | Crossroads | 440 |
| Feni | 1000 | Upper Gwala | 598 |
| Qaga | 500 | Nonibe | 623 |
| Pikoli | 820 | Ntilini | 121 |
| Tamara | 500 | Mgababa | 780 |
| Total | | | 11259 |

Source: Ngqushwa IDP 2016 – 2017

Table 6: Areas identified for survey and planning

| Area | Approximate number of sites |
|-------------|-----------------------------|
| Mavathulana | 600 |
| Dlova | 300 |
| Lewis | 250 |
| Mankone | 500 |
| Total | 1650 |

Source: Ngqushwa IDP 2016 – 2017

Table 7: Housing Projects

| Project Name | Ward | No. of Units | Project Type | Status Quo |
|---------------|------|--------------|------------------------------|--|
| Peddie | 08 | 105 + 395 | Greenfield and Rectification | This project is split in two phases comprising of construction of 105 units and the rectification of 395 units. The project is ongoing with 63 units complete and 43 units outstanding due to the contractor being liquidated. By the time of the compilation of this review, the municipality was advised that the Department of human settlements is in the process of procuring a contractor to complete the project. |
| Mpekwini | 11 | 500 | Rural housing (In-situ) | This project is at procurement stage, the Department of Human Settlements has split the project into two phase of 200 units and 300 units |
| Gcinisa South | 12 | 500 | Rural housing (In-situ) | Procurement stage |
| Hamburg | 12 | 500 | Rural housing (In-situ) | Procurement stage |
| Total | | 2500 | | |

Source: NLM IDP 2019/2020

Planned and Surveyed Sites

The following settlements within the municipality have been planned and surveyed for some time. The aim was to facilitate service and infrastructural provision as advanced by the rapid land development and people's housing process.

Table 8: Planned and surveyed sites

| Area | Initial No of sites | No. of sites blocked |
|-------------------|---------------------|----------------------|
| 1. Hamburg | 600 | 100 |
| 2. Mpekwini | 1000 | 500 |
| 3. Ntilini | 471 | 471 |
| 4. Prudhoe | 50 | 50 |
| 5. Feni | 1000 | 1000 |
| 6. Pikoli | 820 | 820 |
| 7. Cisira | 500 | 500 |
| 8. Runletts | 450 | 450 |
| 9. Tuku A | 27 | 27 |
| 10. Durban | 500 | 500 |
| 11. Madliki | 500 | 500 |
| 12. Crossroads | 440 | 440 |
| 13. Upper Gwalana | 598 | 598 |

| Area | Initial No of sites | No. of sites blocked |
|-----------------|---------------------|----------------------|
| 14. Nonibe | 123 | 123 |
| 15. Mgababa | 780 | 780 |
| 16. Mavathulana | 600 | |
| Total | 8459 | 6859 |

Source: NLM MSDF & IDP 2019

Additional areas have been identified and a business plan submitted to the Department of Housing, Local government and Traditional Affairs for their survey and planning.

Table 9: Areas Identified for survey and planning

| Area | No. of sites |
|--------------|--------------|
| Dlova | 300 |
| Lewis | 250 |
| Mankone | 500 |
| Total | 1650 |

Source: NLM Housing Sector Plan 2011

ii) Housing Infrastructure

Water and Sanitation is the function of Amathole District Municipality. Bulk services for Ngqushwa Municipality, therefore, becomes their responsibility. Bulk water supply is available to accommodate for existing and additional housing projects identified. This however does not apply to sewerage infrastructure. Water borne sewerage is only available in Peddie Town where the bucket system has just been upgraded in 2007. The size of the Waste Water Works stifles housing development in Peddie. Areas such as Alf Dlamini could not be implemented due to its size. It is because of the above that ADM started the process of expanding it. Ngqushwa LM has disposed a portion of Erf 93 for this project. During 2014/15 financial year, ADM has managed to get the Record of Decision (RoD) from the Department of Environmental Affairs. Finances are the only stumbling block.

Hamburg town currently uses septic tanks at the present moment. For the rest of the municipality, VIP toilets are the main form of sanitation. The sanitation backlog in Ngqushwa is very high. 93.4% of households are below the RDP standard and approximately R97 480 950 is required to eliminate the backlog and this in particular in the rural areas.

A major challenge facing the municipality is the difficulty in extending bulk infrastructural services to the outlying areas due to the scattered nature of the settlements. Efforts have been made to provide water up to the IDP standard (public stand pipes) but it has not been possible to connect pipes to individual households. This problem equally affects electricity supply because the cost of providing new connections for new extensions will further stretch the resources of the Municipality. Another challenge facing housing delivery was the difficulties experienced in transporting building materials due to the poor state of rural road networks. Suppliers of materials are also not able to supply the required quantities at the given times. Local contractors are also not able to obtain contracts because they are not registered with the NHBRC. These challenges will be addressed and explored in terms of Local Economic Development opportunities.

iii) Housing Implementation Plan and Project Schedules

Ngqushwa Municipality has, since 2012- till to date, been submitting business plan to Department of Human Settlement for housing provision. Table 1Below is a list of submitted business plans for rural housing:

Table 10: Planned projects

| Year of Submission | Business Plan | Number of units |
|--------------------|------------------------|-----------------|
| February 2012 | Tuku A Housing Project | 500 |
| February 2012 | Madliki Housing | 451 |
| February 2012 | Lovers Twist | 300 |
| February 2012 | Cisirha | 626 |
| February 2012 | Ndlovini | 500 |
| February 2012 | Pikoli | 499 |
| February 2012 | German Village | 343 |
| August 2013 | Lewis Village | 500 |
| June 2016 | Mankone | 290 |
| March 2016 | Glenmore | 1000 |
| Total | Total | 5009 |

Source: NLM IDP 2019/20

A housing subsidy is a grant by government to qualifying beneficiaries for housing purposes. One of the DHS areas of responsibility in the delivery of human settlements relates to the bottom-most end of the market, where it provides housing subsidies to the poor. This is where the bulk of the housing backlog exists, affecting mainly those who earn below R3 500 a month. Below are the estimated amounts of subsidies offered by the department for low cost housing as per the current housing quantum (based on the 2014 National Norms and Standards):

Table 11: Current Human Settlements Projects

| Section | Programme | Progress to date |
|--------------------------------|--------------------------------|--|
| SPATIAL & DEVELOPMENT PLANNING | Peddie 105 (incomplete) | - The contractor has left site due to budget constraints. - VIP toilets have been erected. - There are currently 6 beneficiaries who cannot be traced within the municipality, but their addresses appear in PE. - NLM is tracking the untraceable beneficiaries. |
| | Hamburg 500 | Beneficiary education completed. Beneficiary identification and profiling underway Next phase will be filling of subsidy application forms and appointment of contractors by the department. |
| | Mpekweni 500 | Beneficiary education, identification and profiling has been completed. Phase 1 consists of 200 beneficiaries and 3 contractors have been approved by the department. (delays on OHS) Contractor appointed but funding challenges. Phase 2 consists of 300 beneficiaries of which only 140 have been identified and another 160 is still missing. |
| | Gcinisa 500 | Beneficiary education, identification and profiling has been completed. Next phase will be the filling of subsidy application forms for the identified beneficiaries and appointment of contractors for the project by the department. |

SPATIAL PLANNING & DEVELOPMENT AND LED RELATED PROJECTS

The following projects have been initiated as per the MSDF 2014, LSDF 2013, Small Town Revitalisation Strategies and the current reviewed MSDF 2019-2024:

- Peddie Shopping Centre
- Peddie new filling Station
- Peddie Middle Income Housing development
- Property Management Policy Formulation
- Planning and Survey of Municipal and other sector department offices
- Upgrade of Peddie Taxi Rank
- Upgrade of internal roads and streets
- Land Audit Survey for Peddie and Hamburg
- Hamburg Beachfront upgrade
- Upgrade of Bulk for Peddie
- Development of a disaster spatial plan and tracking tool
- Development of a wall to wall land use scheme

NB: Majority of projects have not been implemented due to budget constraints.

Project Status Quo

| Section | Programme | Progress to date |
|--------------------------------|---|---|
| SPATIAL & DEVELOPMENT PLANNING | MSDF REVIEW | - Final document completed and adopted by Council on 30 April 2019 |
| | Immovable Property Disposal Policy | - Final Draft completed - The policy approved by Council on 30 April 2019 |
| | Registration of Municipal Properties | - Erf 313 has been successfully registered in the name of the municipality |
| | Formalisation of municipal offices | - The planning and surveying have been completed. - The new sites have been lodged at the deeds office for registration. |
| | Land Audit Survey | - A final report was completed in June 2019 and will be tabled to the next Council Meeting. |
| | Peddie Shopping Centre and Middle Income Housing | - A developer has been appointed for the project. - The developer is busy with site development. - Meeting with ADM confirmed support for the development. |
| | Peddie Taxi Rank Upgrade | - As part of phase 1, the taxi rank canopies have been successfully erected by the appointed contractor. - The next phase is to source funding for the hawker stalls. - Building plans for the canopies have been completed for approval. |

| | | |
|--|--|--|
| | Peddie Extension Community Hall | <ul style="list-style-type: none"> - The planning of the community hall has been done and awaiting approval. Land survey was done and SG diagrams prepared. - The SG Diagrams will be lodged for approval at the SG. |
|--|--|--|

Small Towns Revitalisation Programme

The following programmes were crafted during the preparation of the small towns revitalisation strategy for Ngqushwa Local Municipality:

Figure 1: Hamburg Plan

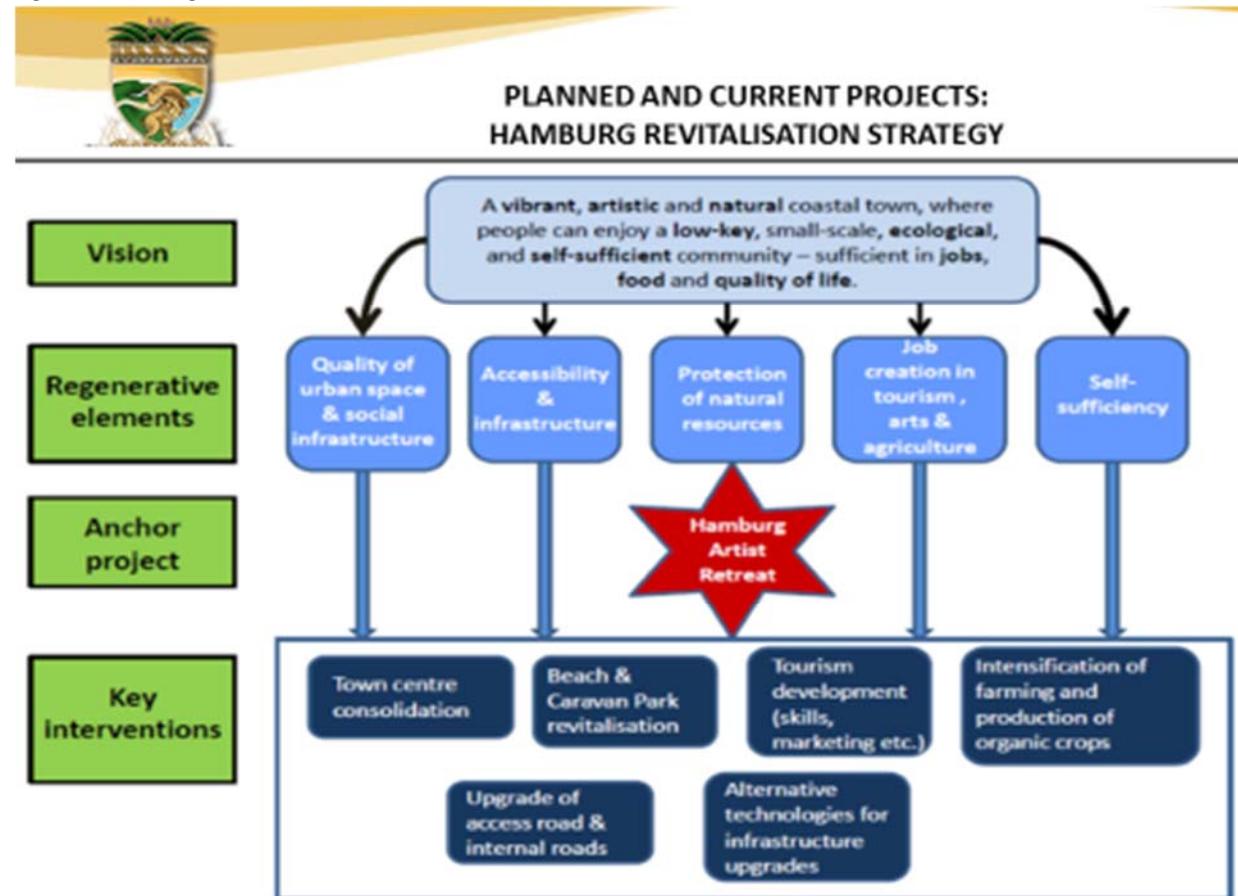


Figure 2: Peddie Plan

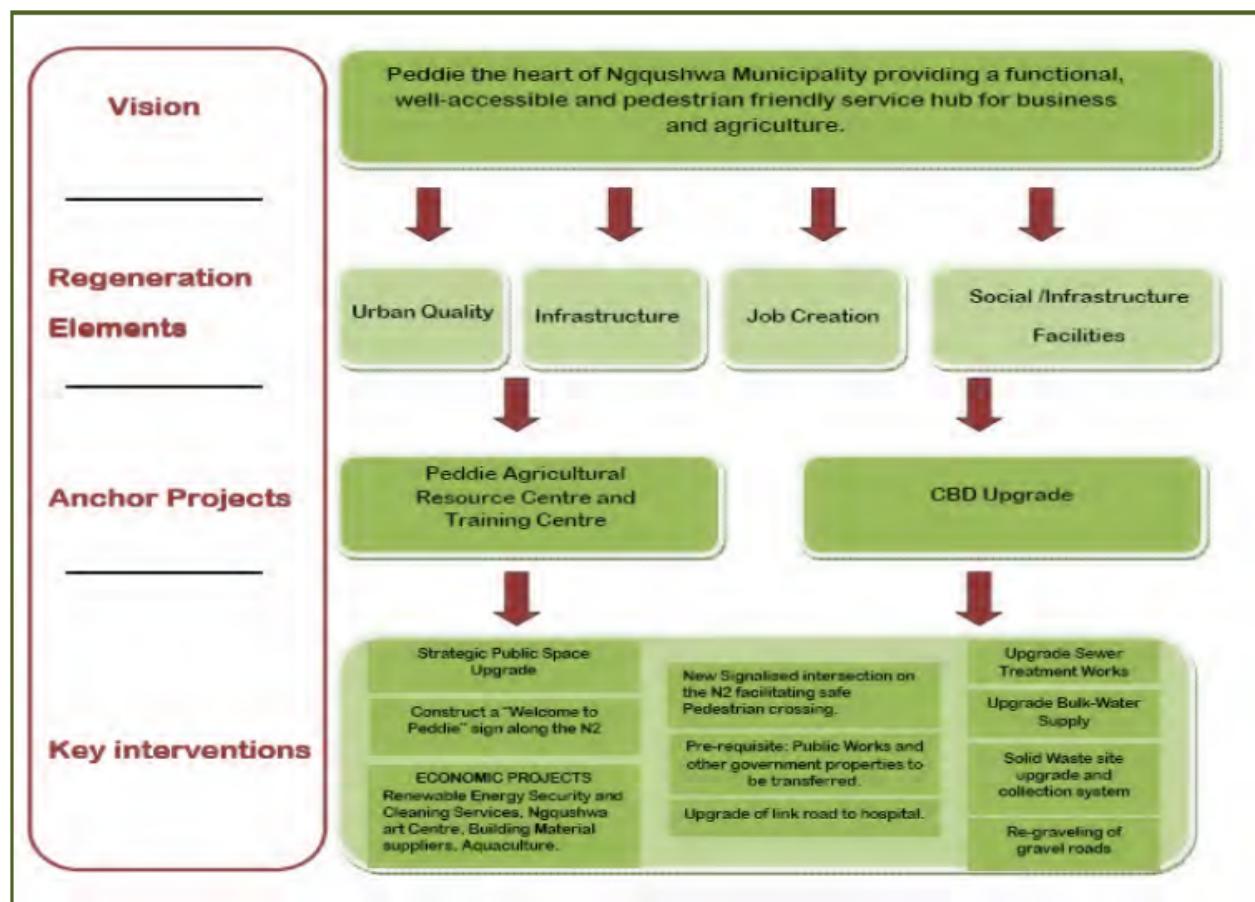


Figure 3: Summary of economic development framework

DISASTER MANAGEMENT

Due to changing climatic conditions, there is a need to plan ahead. Even though disaster management and Contingency plans was previously a function of the district municipalities, the recent amendment of the act has mandated local municipalities to take charge of the disaster functions with their local space. In light of the latter, the municipality has committed to establish disaster management ward based structures and community based disaster risk assessment.

Community Based Risk Assessment (CBRA) is an approach that uses participatory action research methods to place communities in the lead role for the assessment, active planning, design, implementation and evaluation of activities aimed at reducing the community risk disaster. The process involves the Ward Councillor, Community Leaders, Traditional Leaders as well as the community at large. These structures were established for Ward 6, 8 and 4.

Current Disaster Responses:

- Assessment of the affected areas.
- Prepare referrals to Social Development (Counselling and SASSA (social relief i.e food parcels, blankets etc).
- Submit applications to the ECDoHS for Emergency and Permanent Shelter.

Challenges

- Human resource and financial capacity to deal with disaster.
- Strong winds throughout the municipality.
- Vulnerability to Tornados throughout the municipality.
- Vulnerability to fires.
- Municipal delays in assessing and reporting incidents.
- Delays by the ECDoHS in delivering emergency shelters.

Preventive Measures:

- Prioritize funding for disaster immediate relief during next financial year.
- Prioritize development of a Municipal Disaster Management Plan.
- All development to be in line with the Municipal SDF and District Biodiversity Plans.
- Building more strong and disaster resistant houses (pilot project - capacitate unqualified builders).
- Build in areas with trees for wind calming purposes.
- Strengthen ward based structures capacity on resilience and disaster preventive measures.
- Building capacity to implement and coordinate disaster function within the municipality.
- Relocation of affected families to zones/areas (i.e churches, creches, schools etc).

Proposals:

- Development and adoption of a municipal Disaster Management
- Review of the current municipal contingency plan
- Recruitment of disaster management personnel with necessary skills

CONCLUSION

- Building capacity within the department to ensure successful implementation of projects including disaster programmes and plans.
- Prioritisation and mobilisation of funding for spatial planning and Disaster related programmes and projects implementation.
- Fast-tracking release of key land parcels by different institutions.
- Fast-tracking Disaster Spatial Plan and Tracking tool.
- Inclusive planning process to ensure alignment and acceptance of plans.
- Planning to avoid land invasions (blanket interdict for all viable land)
- Develop a land use scheme for better management of land use and development processes for orderly development and improved revenue.
- Effective enforcement of land use and development regulations.
- Implementing rural development plans for better and sustainable livelihoods.
- Spatial incorporate the SMEs in the municipal wide spatial plans.

3.6.4. LOCAL ECONOMIC DEVELOPMENT

Ngqushwa Local Municipality is a rural and poverty stricken municipality. Local Economic Development is seen as the only hope of fighting poverty. Ngqushwa Local Municipality LED is made up of three components: Agriculture, Small Micro Enterprise (SME's) & Cooperatives and Tourism & Heritage. Municipality is working with EC Cogta and other relevant stakeholder to finalize development of LED Strategy.

LOCAL ECONOMIC DEVELOPMENT STAFF

| Job level | Year 18/19 | | | |
|-----------|------------|---------------|--------------------------------------|-------------------------------------|
| | Posts No. | Employees No. | Vacancies (Fulltime equivalents) No. | Vacancies (as a % of total posts) % |
| 0 – 3 | 0 | 0 | 0 | 0 |
| 4 – 6 | 0 | 0 | 0 | 0 |
| 7 – 9 | 1 | 1 | 0 | 100 |
| 10 – 12 | 2 | 2 | 0 | 100 |
| 13 - 16 | 2 | 2 | 0 | 100 |

SME'S AND COOPERATIVE DEVELOPMENT

Ngqushwa Local Municipality is rural in nature, therefore has a high rate of unemployment. The bulk of the economically active populations migrate to cities in search jobs and better living conditions. The municipality is taking the issue of SME development very seriously as it remains the key pillars and priorities for accelerated and sustainable Local Economic Development.

SME'S AND COOPERATIVES DEVELOPMENT OFFICE ACTIVITIES

- i. Facilitating registration of Cooperative with Companies and Intellectual Property Commission (CIPC) - Through the facilitation by LED Office 27 Cooperatives were registered and captured in municipal data base in the 2018/19 financial year.
- ii. Provide business development advice and services
- iii. A one stop shop to access all government services and programmes relating to cooperative development
- iv. Market linkages to cooperatives
- v. Accommodate other related service offerings by other spheres of government and development agencies such as DEDEAT, DTI, NYDA, SEDA etc.
- vi. Facilitation of SME trainings - 15 Emerging contractors were trained on Contractors Contracting through the R72 SANRAL Project and benefited through sub-contracting, 22 Informal traders were trained on Basic Business by the Department of Small Business Development. Cooperatives were trained on Cooperative Governance.

i) CWP (Community Works Programme)

The Community Work Programme (CWP) is an initiative designed to provide an employment safety net, by providing participants with a predictable number of days of work per month — thus supplementing their existing livelihood strategies and affording them a basic level of income security through work. The programme is targeted at unemployed and/or underemployed people of working age, including those whose livelihood activities are insufficient to lift them out of poverty.

It is implemented at the local level at a 'site' (which generally comprises a 'community' in a municipality) and is designed to employ a minimum of 1,000 people per site for two days a week, or eight days a month. Each site of the Community Work Programme is managed by the not for profit organisation appointed through competitive process by the national department of Cooperative Governance and Traditional Affairs. Ngqushwa site is managed by the non profit organisation named Thembalethu Development Foundation appointed from 2018 to 2021. Total budget for financial year 2018 to 2019 is **R14 040 787.00**

BENEFICIARIES LIST

| WARD | VILLAGES | TOTAL WARD NUMBER |
|------|--|-------------------|
| 1 | Nonibe , Tyeni,Ngqwele , Nxopo and Bhele,Zalarha, Matati and Gobozane | 89 |
| 2 | Zimbaba, Zondeka ,Mthyolo,Nyatyora,Tyata,Rhode, Mavatulana , Upper Mthombe and Quqqwala | 77 |
| 3 | Mqwashini, Gcinisa North, Bongweni A, Bongweni B,Hlosini , Makhuzeni,Mabhongo , Shushu,Nqwenerana , Kalana, Ntsinekana, Qawukeni, Mrataza , Crossman and Baltein | 114 |
| 4 | Ngxakaxa, Lower Dube, Upper Dube , Phole,Mdolomba ,Machibi and Nxwashu | 79 |
| 5 | Tyityiba, Loverstwist, Tuku B,Tuku A, Hoyi, Bira,Crossroads, Leqeni ,Tuku C Bodium and Bell | 97 |
| 6 | Celetyuma,Makhahlane, Dam-Dam,Nyaniso, Feni and Cisira | 74 |
| 7 | Glenmore,Horton, Gwabeni, Mankone,Ndlambe,Ndwayana,Eluxolweni, Maqhosha,Rura, Luxolo,Baltein | 101 |
| 8 | Peddie Extension, Endlovini, Ethembeni, New Creation ,Peddie Town, Germany Village, Durban Village | 82 |
| 9 | Pikoli,Mgwalana, Ntloko ,Lewis, Woodlands, Nobumba,Runlets, Paradise | 54 |
| 10 | Lower Qeto, Sgingqini,Lower Gwalana,Ntshamanzi, Mabalenzi, Mtati | 111 |

| | | |
|--------------|---|-------------|
| | Lower Mgwalana,Maxheweni and Upper Qeto | |
| 11 | Mkhanyeni, Mpekweni,Prudhoe, Mgababa | 80 |
| 12 | Ndlovini Wesley ,Mqheleni,ZakheleWesley ,Ndlovini Wesley,Gcinisa Hamburg,Mbekweni Wesley,Tarfiled ,Benton and Bingqala | 237 |
| TOTAL | | 1195 |

i) Hamburg Aquaculture Project

It is an initiative by the Department of Agriculture, Forestry and Fisheries where the department invested an amount of R9, 5m to the project through the EPWP programme. Ngqushwa Local Municipality made land available for the project. The Municipality has packaged 4 anchor projects as part of Oceans Economy. The Aquaculture Project expansion is one of the anchor projects submitted to the Department of Public Works and Provincial Department of Environmental Affairs, Economic Development & Tourism. This will require land for expansion and the municipality is in the process of looking into the land availability to ensure that the project potential is realised.

Community Beneficiation

- i) Employed 58 local people
- ii) Youth (47%) and women (48%)
- iii) Received training (occupational health and safety, life skills, HIV/AIDS and First Aid course)
- iv) Registered as Siyazama Aquaculture co-operative member.
- v) Programme implemented at Ward 11

The project impact:

1. Skills development
2. Transfer of technology to communities
3. Food security
4. Job creation

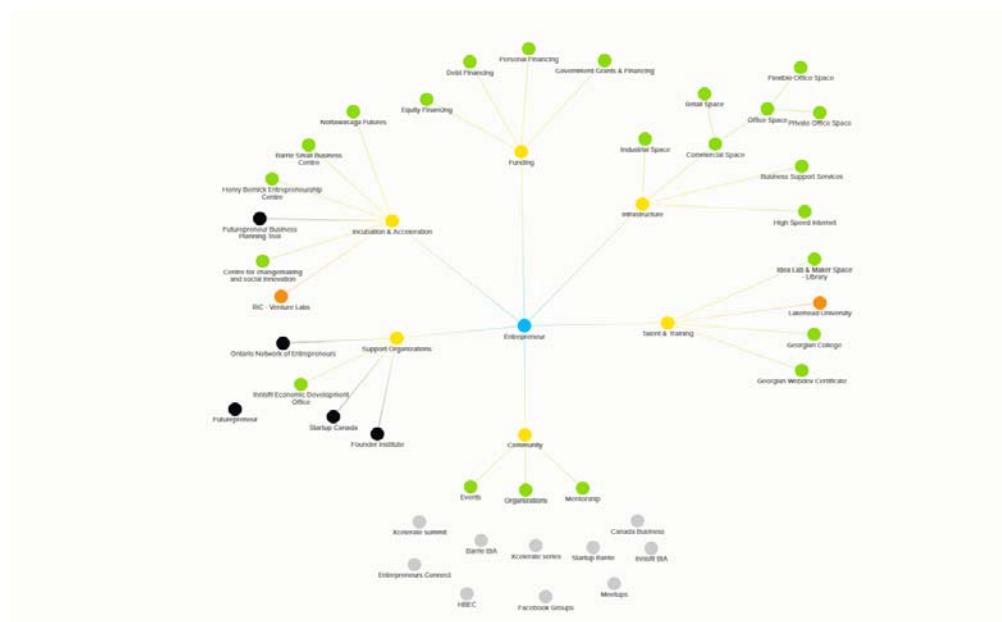
ii) Building Inclusive Green Municipalities (BIGM)

South African Local Government Association (SALGA) in partnership with Federation of Canadian Municipalities launched the BIGM program to be implemented over a 52 month period. Ngqushwa Local Municipality is one of six municipalities in Eastern Cape that is piloting this local economic development initiative. The BIGM program aims to improve the capacity of South African Municipalities to support effective service delivery, inclusive local green economic growth and enhanced climate change mitigation and adaptation measures

Project Status Quo

For 2018/19 financial year, the municipality has worked on the following project under the auspices of the BIGM:

a) **DEVELOPMENT OF NGQUSHWA ENTREPRENEURIAL ECOSYSTEM (NEE):** An entrepreneurial eco-system, or business environment summarizes all the resources entrepreneurs and business owners need to start, build and grow a business. Resources including funding, infrastructure, talent and training, incubation & acceleration, community and support organizations. The goal of the ecosystem is mapping out all the available local resources and developing and executing a strategy to communicate the available resources to entrepreneurs.



b) **Pilot Projects - Aloe and Honey.** The municipality has developed business plans for Aloe and Honey and set aside a budget to commence with the implementation of the first phase of the Pilot projects.

The Municipality hosted a mission from Canada on the week of 4th – 8th February 2019. The delegation from Canada conducted 3 sites visits to assess LED initiatives in order to develop sustainable approaches for Ngqushwa Cooperatives.

- Marketing, Sales and distribution of produce from Cooperatives were of the specific focus.
- The visit was made to the following cooperatives:-
 - Keiskamma Trust (Ward 12)
 - Celetyuma Masivuke Poultry (Ward 6)
 - Limise Womens Cooperatives (Ward 8)

- The Canadian Team further conducted job shadow with LED practitioners in order to understand their day to day activities to support and build skills.

BUSINESS LICENCING

Municipality is working with District Municipality in developing policy on business licencing

B) AGRICULTURE DEVELOPMENT

Municipality facilitate agriculture development in Ngqushwa through provision / support of community – based initiatives and the creation of conducive environment for increased investment in agriculture. In many instance the Municipality together with other relevant sector departments actively intervene and support initiatives in order to enhance development of local economy through enhancing food security, job creation and quality of life for the benefit of all. These interventions were mainly directed at improving the quality of life for those operation in Agriculture sector and redressing the inequalities created by the past.

Ngqushwa Local Municipality is working with relevant sector departments in ensuring that Agriculture remain the key pillar in addressing the challenges of unemployment, poverty and inequality. For 2018/19 financial year, the following agriculture activities were undertaken to strengthen agriculture development.

| PROGRAMME | COMMUNITY BENEFICIATION | WARD | STAKEHOLDERS INVOLVED |
|---------------------------------|--|---|--|
| Mechanization Programme | <ul style="list-style-type: none"> Received production inputs, all maize projects benefited | <ul style="list-style-type: none"> Ward 3, Ward 12, Ward 2, and Ward 10, | <ul style="list-style-type: none"> DRDAR & NLM |
| Capacity Building and Trainings | <ul style="list-style-type: none"> Received training on mechanization (tractor operation and management). Received workshop and Capacity building on Land acquisition procedures and property development Received Training on Piggery management | <ul style="list-style-type: none"> Ward 3 and Ward 12 (Mqwashini and Bingqala Location). All wards (all farmers who are leasing DRDLR farms). Ward6(Cheletyuma Location) | <ul style="list-style-type: none"> Ngqushwa Local Municipality, ADM Ngqushwa Local Municipality, DRDAR and DRDLR. Ngqushwa Local Municipality and |

| | | | |
|--|--|--|----------------------------------|
| | | | DCGTA – through CWP programme |
|--|--|--|----------------------------------|

The project impact:

1. Skills development
2. Infrastructure development to communities participating in farming practices
3. Food security
4. Job creation

C) TOURISM AND HERITAGE

Ngqushwa Local Municipality is rich in Tourism and Heritage. Tourism development is dominant in both in inland and coastal areas. There are Tourism and Heritage Nodal points which are tourism attractions such as

1. Umqwashu Heritage Sites
2. Hiking trails
3. Ayliff Church Museum
4. Beach

Tourism Activities

- i) Maintenance of Uhambo Loxolo hiking trail and Umqwashu heritage sites
- ii) Establishment of Strategic relations with neighbouring Municipalities.
- iii) Provision of training and support to existing hospitality industry in Ngqushwa. Ten homestays owners were trained on customer care workshop
- iv) Promotion and support of craft product development and marketing.

2018/19 TOURISM AND HERITAGE ACTIVITIES.

| PROGRAM | ASSISTANCE PROVIDED | NUMBER OF BENEFICIARIES | WARD /VILLAGE | RESPONSIBLE DEPARTMENT |
|-------------------------|---|-------------------------|--|-----------------------------|
| Ngqushwa Heritage Sites | <ul style="list-style-type: none"> • Maintenance of heritage sites • Casual employment through EPWP | 29 10 | Ward 3 /Mqwashini Ward 8/ Ndlambe (Hamboloxolo) | Ngqushwa Local Municipality |

| | | | | |
|-----------------------------|---|--|--|---------------------------------------|
| Arts and Crafts Development | <ul style="list-style-type: none"> Skills development Customer Care training for homestays Tour guiding training | 15 2 | Ward 9/ Nobumba and Runlets. Ward 9/Pikoli | Ngqushwa Local Municipality and ECPTA |
| Tourism Development | Signage for accommodation establishments | 15 Homestay received signage and 1 hiking trail. <ul style="list-style-type: none"> Sophumla BnB James Homestay Sinqumeni fishing Hambo- Loxolo hiking trail 12 Homestays | <ul style="list-style-type: none"> Ward 8/Peddie Town Ward 12 /Nier/Tarfield. Ward 9/Pikoli Ward 9- Ndlambe Ward 9 /Ndlambe, Pikoli,Runlets | NLM, ECPTA |
| Tourism Development | Tourism Ambassadors (Providing information to Tourist and Cleaning around beaches | 10 | <ul style="list-style-type: none"> Ward 12 /Coastal Area. | ECPTA |
| Tourism Development | Tourism Data Capturers | 2 | <ul style="list-style-type: none"> Ward 10 /Qeto Ward 6 /Mahlubini | National Department of Tourism |

3.6.5 COMMUNITY & SOCIAL SERVICES

3.6.5.1 Waste Management

The refuse collection is done on all our areas except villages. Refuse is collected twice per week in households and every day on the CBD. The street cleaning is also done weekly in the CBD; and once a week in the suburbs areas. Number of drop of zones were erected on the CBD as part of the programme of keeping town clean. Awareness campaigns are conducted in communities.

Generally, the refuse collection is done very well in our areas, we just have some challenges, like our vehicles are broken. Since the municipality has low volume there is not much in capital projects.

| SECTION | PROGRAMME | PROGRESS TO DATE |
|--------------------------|--------------------------------------|---|
| Environmental Management | Landfill site | <ul style="list-style-type: none"> • In a process of compacting waste to meet the capacity standard • Municipality is planning to relocate land fill site due to current development around town. |
| | Waste collection | <ul style="list-style-type: none"> • Continuous waste collection from various areas of Ngqushwa (CBD areas, Peddie Extension, Power, Coastal Areas) |
| | Maintenance of amenities/ facilities | <ul style="list-style-type: none"> • 1 Community hall maintained – Nxopho (Ward 1), sports fields, cemeteries, parks, municipal buildings are maintained |
| | Pound management | <ul style="list-style-type: none"> • 16 Rangers deployed |
| | Thuma mina programme | <ul style="list-style-type: none"> • 22 Casuals appointed (7 for Awareness Campaigns and 15 for Litter Picking) |

Capital Expenditure

Since the municipality has low volume there are no much in capital projects.

Comment on Waste Management Service Performance Overall:

Our volume as the Municipality is low, therefore we don't have much to budget on capital project. The municipality has introduced recycling as part of managing landfill site. The main focus on our capital project is on appropriate equipment for refuse collection and management of landfill site machinery. The municipality has installed refused collection cages in strategic positions in Hamburg and Peddie Town

3.6.5.2 Introduction to Libraries; Archives; Museums; Galleries; Community Facilities

Currently the Municipality has 66 community halls, each ward has its own halls from ward 1 to ward 12

| WARD | VILLAGES | NUMBER |
|------|--|--------|
| 1 | Tyeni,Gobozana,Mtati,Ngqwele,Nxopo,Bhele | 6 |
| 2 | Zondeka,Dlova,Rode,Tyata,Quqgwala,Mthombe | 5 |
| 3 | Mqwashini,Ntsinekana,Bhongweni,Khalana,Qawukeni,Baltein,Mgqw angqa,Shushu,Mabhongo | 8 |
| 4 | Macibi,Phole,Madliki,Mdolomba,Dube, | 4 |
| 5 | Bell,Crossroads,Tuku A,Leqeni, | 4 |
| 6 | Cisira,Nyaniso,Celetyuma,Feni | 4 |
| 7 | Nqamnyana,Mankone,Glenmore,Ndwayana,Eluxolweni,Gwabeni,Nd lambe,Rura,Ngquma | 9 |
| 8 | Durban,Peddie extension,Ncumisa Kondlo,Peddie Location | 3 |
| 9 | Mgwalana,Woodlands,Runletts,Pikoli | 4 |
| 10 | Mabaleni,Upper Gwalana,Lower Qeto,Lower Gwalana,Mtati | 4 |
| 11 | Mkhanyeni,Mpekweni,Prudo,Mgababa, | 4 |
| 12 | Gcinisa,Wesley,Benton.Niri,Hamburg,Bingqala | 5 |

Comment on the Performance of Libraries; Archives; Museums; Galleries; Community Facilities; Other (Theatres, Zoos, etc.) Overall:

The Municipality has two Libraries one is situated inside municipal building and one mobile library at Hamburg. Both libraries have not officially been handed over to the Municipality by Department of Sport, arts, recreation and culture. Since the main library is accommodated in the old town hall where it is sharing space with Ngqushwa LM's Corporate Services Department, land was made available for the Department of Sport, Recreation, Arts and Culture. This land has been set aside for the construction of a fully-fledged library, which will be sponsored by DSRAC.

3.6.5.3 Introduction to Cemeteries' & Crematoriums

Municipality has two (2) cemeteries and both are in Peddie Town and in the process of identifying a new site. The municipality is responsible for grass cutting and maintenance of cemeteries. Crematorium is the responsibility of ADM and it is not common in Ngqushwa.

3.6.5.4 Introduction to Peddie Garden

Peddie Town seeks to benefit from the programmes due to socio-economic and environmental challenges that make the town to become unattractive and repulsive to public and private sector investments. The Peddie Central Park – commonly known as Ngqushwa Leisure Gardens is a unique asset to the town is well used by locals for social events and gatherings. The park offers further potential to become a great public place, which can be used to build confidence and showcase Peddie to broader user's groups and tourists. Other recreation facilities such as sports fields and pocket parks are few within the primary study area.

3.6.6 ENVIRONMENTAL PROTECTION

This component includes: pollution control; biodiversity and landscape; and costal protection.

3.6.6.1 Introduction to Environmental Protection

Environmental protection deals with the safeguarding of the environment through implementation and complying with legislation such as a constitution, NEMA, and other relevant legislation. Non-compliance with the Environmental legislation will fasten the depletion of Ozone Layer and fasten Climate change. In an attempt to promote compliance, Ngqushwa Local Municipality in conjunction with other government departments such as DEA, DEDEAT, Department of Roads Public Works and Amathole District Municipality came up with several projects that were aligned to Environmental Protection. These include; Working for the Waste, Coastal Management projects. Through tireless efforts of the Municipality and close relations with other stakeholders, the Hamburg beach, which is within the Municipality's jurisdiction, achieved a BLUE FLAG STATUS and Birha beach is still on pilot status.

3.6.6.2 Introduction to Pollution Control

Nowadays, the world is reeling in climate change, which is a result of pollution, be it water pollution, land or air pollution. Due to the size of Ngqushwa Local Municipality, the responsibility for pollution control lies with the district Municipality (Amathole District Municipality). Be that as it may, the Ngqushwa Local Municipality conducted awareness programs for pollution control in schools, communities as well as clean up campaigns were conducted on schools.

Even though the Municipality has one (1) licensed landfill site and one (1) transfer station, it is difficult to comply with the regulations as in most cases the waste is burned, thereby polluting the

environment. In future, there is a need of closing and relocating the landfill site away from the residential areas.

The other main challenge is the vandalism on our 'no litter' signs, most of them are uprooted

3.6.6.3 Introduction Bio-Diversity and Landscape

Eradication of alien plants in Peddie Town was done as part of biodiversity management. The municipality conducted a workshop on Indigenous plants and eradication of alien plants. Environmental awareness was conducted on coastal communities concerning management of coastal indigenous forest. We are boarded by Great fish river Nature reserve and on a continuous basis we meet them to check on areas of common on biodiversity and general. There are DEA projects that are focussing on coastal management. These projects assisted the Municipality towards the achieving Blue Flag status.

3.6.7 SECURITY AND SAFETY

This component includes: police; fire; disaster management, licensing and control of animals, and control of public nuisances, etc.

3.6.7.1 Ngqushwa Municipal Traffic Services

The Traffic Services was established in 2005 by a political mandate to address the safety needs of the community of Ngqushwa. The section delivers traffic policing services through a partnership-approach with the communities it serves. It aims to create a safe and secure environment for all residents, citizens and visitors within Ngqushwa Municipal Area through effective traffic policing, by-law enforcement and other integrated crime prevention initiatives.

Key Performance Areas

Traffic Law Enforcement

1. Visible policing
2. Road Blocks
3. Speed Law
4. Drunken Driving Campaigns
5. Road Safety Campaigns

Register Authority

1. Vehicle Registration and Licensing of Motor Vehicles.
2. Renewal of Motor Vehicle Licences.
3. Duplicate Registration Papers.
4. Scrapping of Vehicles

Driver's Licence Technical Centre

1. Renewal of Driver's Licences

2. Learners licence Tests
3. Drivers Licence Tests
4. Duplicate Driver's Licences
5. Public Driver's Licence Permits

Road Safety

1. Road Safety Education at all schools and villages.

3.6.7.2 Overall Performance of Ngqushwa Municipal Traffic Services

There was a considerable decrease in the number of moving violations and accidents since the establishment of the traffic services. Concerted effort was launched to address Road Safety with various Road Safety initiatives. Furthermore, our continued commitment towards the National Arrive Alive, Parking, Speeding and Un-Roadworthy Vehicles are common phenomenon throughout Ngqushwa Municipal Area which invariably infringes upon the rights of law abiding citizens and visitors and in some cases endangers lives.

The Traffic Section is committed to intensify law enforcement against motorists who blatantly disregard the rules of the road. It is an accepted phenomenon that as municipality grows; its public transportation system has to keep pace with such development to ensure that sufficient capacity is provided to meet the growing demand for transportation. To this extent, the traffic section is working earnestly on regulating the minibus and private transport industry to ensure smooth transport of residents of Ngqushwa Municipality. With the establishment of a driver's licence testing centre and other functions the residents of Ngqushwa Municipality do not have to drive to other towns for services. However, there are challenges such outstanding payments of infringement notices (traffic fines), condition of road services in Peddie town and lack of relevant personnel.

STATISTICS FOR NGQUSHWA MUNICIPAL TRAFFIC SERVICES 2018/ 2019

| | |
|--------------------------------|-----------------|
| Money Collected for DOT / DLTC | R 4 242 717 .70 |
|--------------------------------|-----------------|

STAFF AT NGQUSHWA MUNICIPAL TRAFFIC SECTION

| TRAFFIC/ SECURITY MANAGE R | MANAGEMEN T REP | TRAFFIC OFFICER S | TRAFFIC/ EXAMINER S | SECURIT Y OFFICER S | ADMI N STAFF | EXAMINE R: LEARNER' S | INTER N |
|-------------------------------------|--------------------|-------------------------|---------------------------|------------------------------|--------------------|--------------------------------|------------|
| 1 | 1 | 6 | 3 | 13 | 3 | 1 | 1 |

CHAPTER 4

INSTITUTIONAL DEVELOPMENT AND ORGANISATIONAL PERFORMANCE

4.1 MUNICIPAL WORKFORCE MANAGEMENT

Ngqushwa Municipality has a responsibility to manage its workforce by implementing interventions and programmes that will keep employees motivated and enhance performance. This section emphasis on management and administration of employee matters/issues like management of leave, overtime, and training development. The municipality continues to develop workforce management policies in order to maintain productive employees.

WORKFORCE POLICY DEVELOPMENT

The Municipality has developed and reviewed 07 policies and HR plan for Human Resources during the year for review. These policies are developed and reviewed annually and when required.

HR POLICIES AND PLANS

| HR Policies and Plans | | | |
|-----------------------|---|-------------|--|
| | Name of Policy | Completed % | Date adopted by council or comment on failure to adopt |
| 1 | Secondment Policy | 100% | 25 April 2018 |
| 2 | Travelling Policy | 100% | 25 April 2018 |
| 3 | Cell phone Allowance Policy | 100% | 25 April 2018 |
| 4 | Recruitment, Selection and Appointment Policy | 100% | 25 April 2018 |
| 5 | Relocation Policy | 100% | 25 April 2018 |
| 6 | Training and Development Policy | 100% | 25 April 2018 |
| 7 | Human Resources Plan | 100% | 28 June 2018 |
| 8 | Leave Policy | 100% | 27 June 2019 |
| 9 | Bereavement Policy | 100% | 27 June 2019 |
| 10 | Employee Performance Management Policy | 100% | 27 June 2019 |
| 11 | Overtime Policy | 100% | 27 June 2019 |
| 12 | Time and Attendance Policy | 100% | 27 June 2019 |
| 13 | Acting and Acting Allowance Policy | 100% | 27 June 2019 |
| 14 | Employee Assistance Policy | 100% | 27 June 2019 |
| 15 | Recruitment, Selection and Appointment Policy | 100% | 27 June 2019 |
| 16 | Training and Development Policy | 100% | 27 June 2019 |
| 17 | Disciplinary and Grievance Policy | 100% | 27 June 2019 |
| 18 | Remuneration of Section 79 Committee Chairperson Policy | 100% | 27 June 2019 |

NUMBER OF DAYS AND COST OF SICK LEAVE

| Number of days and Cost of Sick Leave (excluding injuries on duty) | | | | | | |
|--|-----------------------|--|--------------------------------|------------------------------|--|-----------------------|
| Salary band | Total sick leave Days | Proportion of sick leave without medical certification % | Employees using sick leave No. | Total employees in post* No. | *Average sick leave per Employees Days | Estimated cost R' 000 |
| Task Grade 0 - 2 | N/A | 0% | 0 | 0 | 0 | 0 |
| Task Grade 2 - 3 | 637 | 4% | 62 | 68 | 10 | R76 410.00 |
| Task Grade 4 - 7 | 467 | 4% | 40 | 80 | 12 | R111 933.00 |
| Task Grade 8 - 13 | 607 | 4% | 46 | 64 | 13 | R245 700.00 |
| Task Grade 14 - 18 | 121 | 2% | 14 | 21 | 8 | R372 005.32 |
| MM and S56 | 0 | 0% | 0 | 5 | 0 | R 0.00 |
| Total | 1832 | 14% | 162 | 238 | 43 | R 806 048.32 |

T4.3.2

NUMBER OF EMPLOYEES ON INJURY ON DUTY

| Number and Cost of Injuries on Duty | | | | | |
|---------------------------------------|--------------------|------------------------------|---|-----------------------------------|----------------------|
| Type of injury | Injury Leave Taken | Employees using injury leave | Average injury leave taken per employee | Average Injury Leave per employee | Total Estimated Cost |
| | Days | No. | % | Days | R'000 |
| Required basic medical attention only | 71 | 3 | 33.33% | 23.67 | R 73 284.21 |
| Temporary total disablement | 0 | 0 | 0.% | 0 | 0 |
| Permanent disablement | 0 | 0 | 0 | 0 | 0 |
| Fatal | | | | | |
| Total | 71 | 3 | 33.33% | 33.33 | R 73 284.21 |

T4.3.1

NUMBER OF EMPLOYEES SUSPENDED

| Position | Nature of Alleged Misconduct | Date of Suspension | Details of Disciplinary Action taken or Status of Case and Reasons why not Finalised | Date Finalised |
|--|--|--------------------|---|--|
| MANAGER: BUDGET | General Misconduct | 13/06/2016 | The suspension was lifted and the employee has since reported back to work on the 08 July 2019. | Pending, set for hearing on the 02 September 2019. |
| Manager: Protection Services and Public Safety | Gross misconduct including gross insubordination | 06/07/2018 | Case finalised due to ill-health of the employee | 30 /04/2019 |

VACANCIES AND TURNOVER

On termination of employees, affected department reviews the need for the post. Where there is a need, the affected department informs Corporate Services to facilitate. Corporate Services engages on recruitment processes. Senior Management positions are advertised on both national and regional newspapers. There is no succession planning in place. One of the reasons why employees resign is because there are no prospects to move beyond middle management level. The municipality has developed the attraction and retention policy which will assist in attracting and retaining employees.

EMPLOYEE TOTALS, TURNOVER AND VACANCIES

| Description | Employees | | | | |
|--|--------------------|---------------|--------------|---|------|
| | 2017/2018 | 2018/2019 | | | |
| Employees No. | Approved Posts No. | Employees No. | Variance No. | % | |
| Water | 0 | 0 | 0 | 0 | |
| Waste Water (Sanitation) | 0 | 0 | 0 | 0 | |
| Electricity | 3 | 4 | 4 | 0 | 100% |
| Waste Management | 6 | 6 | 4 | 2 | 50% |
| Housing | 4 | 5 | 4 | 1 | 20% |
| Roads and Waste Water (Storm water Drainage) | 11 | 14 | 10 | 4 | 29% |
| Transport | 0 | 0 | 0 | 0 | |
| Planning | 3 | 0 | 0 | 0 | 0% |
| Local Economic Development | 4 | 5 | 4 | 1 | 20% |
| Planning (Strategic & Regulatory) | 3 | 0 | 0 | 0 | 0% |
| Community & Social Services | 67 | 59 | 54 | 5 | 8% |
| Environmental Protection | 0 | 0 | 0 | 0 | 0% |

| | | | | | |
|------------------------------|------------|------------|------------|-----------|------------|
| Health | 0 | 0 | 0 | 0 | 0% |
| Traffic, Security and Safety | 34 | 34 | 30 | 4 | 12% |
| Sport and Recreation | 0 | 0 | 0 | 0 | 0% |
| Corporate Services | 28 | 37 | 27 | 10 | 27% |
| Budget and Treasury Office | 24 | 28 | 24 | 4 | 15% |
| Municipal Manager's Office | 17 | 25 | 22 | 3 | 22% |
| Technical Services | 22 | 21 | 17 | 4 | 22% |
| Totals | 226 | 238 | 200 | 38 | 16% |

Headings follow the order of services as set out in chapter 3. Service totals should equate to those included in the Chapter 3 employee schedules. Employee and Approved Posts numbers are as at 30 June.

T4.1.1

VACANCY RATE

| Vacancy Rate 2018/2019 | | | |
|---|-----------------------|---|--|
| Designations | *Total Approved Posts | *Variances (Total time that vacancies exist using fulltime equivalents) | *Variances (as a proportion of total posts in each category) |
| | No. | No. | % |
| Municipal Manager | 1 | 0 | 100% |
| CFO | 1 | 0 | 100% |
| Other S56 Managers (excluding Finance Posts) | 3 | 1 | 75% |
| Other S56 Managers (Finance posts) | 0 | 0 | 0% |
| Traffic Officers | 8 | 2 | 50% |
| Middle Management: Levels 13-16 (excluding Finance Posts) | 16 | 2 | 50% |
| Middle management: Levels 13-16 (Finance posts) | 5 | 1 | 75% |
| Other employees (excluding the above) | 204 | 32 | 40% |
| Total | 238 | 38 | 16% |

Note: *For posts which are established and funded in the approved budget or adjustments budget (where changes in employee provision have been made). Full-time equivalents are calculated by taking the total number of working days lost (excluding weekends and public holidays) while a post remains vacant and adding together all such days lost by all posts within the same set (e.g. 'senior management') then dividing that total by 250 to give the number of posts equivalent to the accumulated days.

T4.1.2

| Turn-over Rate | | | |
|----------------|--|--|-----------------|
| Details | Total Appointments as of beginning of Financial Year | Terminations during the Financial Year | Turn-over Rate* |

| | No. | No. | |
|---|-----|-----|--------|
| 2012/13 | 167 | 14 | 8% |
| 2013/14 | 182 | 9 | 8% |
| 2014/15 | 175 | 9 | 5% |
| 2015/16 | 34 | 11 | 3% |
| 2016/17 | 42 | 18 | |
| 2017/18 | 32 | 14 | 2% |
| 2018/19 | 12 | 15 | 0.8% |
| * Divide the number of employees who have left the organization within a year, by total number of employees who occupied posts at the beginning of the year | | | T4.1.3 |

SKILLS DEVELOPMENT AND RELATED EXPENDITURE AND THE FINANCIAL COMPETENCY REGULATIONS

There are challenges in conducting skills audit in order to determine the gaps and planning through Workplace Skills Plan. This is due to lack of participation from other departments; this is now improving as the training committee has reviewed its terms of reference. The expenditure on training exceeds the budget because of the increase in number of training needs. In line with MFMA regulations it is required that all finance employees and HOD's must possess minimum competency. Attempts have been made by the municipality as a result their employees were enrolled for CPMD. There were three employees that did not qualify to be enrolled by the institution offering the course because of the minimum entry requirements; however, these employees were enrolled in other training programs.

4.2MANAGING WORKFORCE EXPENDITURE

The Municipality spends on what has been approved in both organogram and budget to avoid overspending of Workforce expenditure. The expenditure is monitored monthly and reported to Council on quarterly basis.

| Number Of Employees Whose Salaries Were Increased Due To Their Positions Being Graded | | |
|---|--------|----------|
| Beneficiaries | Gender | Total |
| Unskilled and defined decision making (Task grade 0- 3) | Female | N/A |
| | Male | N/A |
| Semi-skilled and discretionary decision making (Task Grade 7 – 9) | Female | N/A |
| | Male | N/A |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents (Task Grade 8 – 13) | Female | N/A |
| | Male | N/A |
| Professionally qualified and experienced specialists and mid-management (Task Grade 14 – 18) | Female | N/A |
| | Male | N/A |
| MM and S 56 | Female | N/A |
| | Male | N/A |
| Total | | 0 |
| Those with disability are shown in brackets '(x)' in the 'Number of beneficiaries' column as well as in the numbers at the right hand side of the column. | | T4.6.2 |

OCCUPATIONAL LEVELS

| Occupation level | Number of employees | Job evaluation level | Comment |
|--|---------------------|----------------------|--|
| Unskilled and defined decision making | 75 | (Task grade 0-3) | General Assistants, Office Cleaners |
| Semi-skilled and discretionary decision making | 50 | (Task Grade 4 – 7) | Supervisors, Clerks, Operators, Secretaries, Drivers |
| Skilled technical and academically qualified workers, junior management, supervisors, foremen, and superintendents | 57 | (Task Grade 8 – 13) | Officers, Technicians and Middle Managers |
| Professionally qualified and experienced specialists and mid-management | 19 | (Task Grade 14 – 18) | Middle Managers |
| MM and S 56 | 4 | Section 54 & 56 | Grading system not applicable |

EMPLOYEES NOT APPOINTED TO POSTS NOT APPROVED AS PER THE ORGANOGRAM

| Employees not appointed to posts not approved | | | | |
|---|-------|---------------------|---------------|---|
| Department | Level | Date of appointment | No. appointed | Reason for appointment when no established post exist |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |
| N/A | N/A | N/A | N/A | N/A |

T4.6.4

SKILLS MATRIX

| Management level | Gender | Employees in post as at 30 June 2019 | Skills Matrix | | | | | | | | | | | | |
|------------------|--|--------------------------------------|---|---------------------|-----------------|---|---------------------|-----------------|-------------------------|---------------------|-----------------|---------------------|---------------------|-----------|--|
| | | | Number of skilled employees required as at 30 June 2019 | | | | | | | | | | | | |
| | | | Learnerships | | | Skills programmes & other short courses | | | Other forms of training | | | Total | | | |
| MM and S56 | Female | No. | Actual 30 June 2018 | Actual 30 June 2019 | Target 2018 /19 | Actual 30 June 2018 | Actual 30 June 2019 | Target 2018 /19 | Actual 30 June 2018 | Actual 30 June 2019 | Target 2018 /19 | Actual 30 June 2018 | Actual 30 June 2019 | Total | |
| | | | 2018 | 2019 | | 2018 | 2019 | | 2018 | 2019 | | 2018 | 2019 | | |
| | Male | | 2 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | | | 2 | 2 | 0 | 0 | 0 | 2 | 2 | 0 | 0 | 0 | 0 | 2 | |
| | Councillors, senior officials and managers | Female | 26 | 3 | 3 | 5 | 16 | 3 | 14 | 0 | 0 | 0 | 0 | 6 | |
| | | | 22 | 5 | 6 | 7 | 16 | 5 | 14 | 0 | 0 | 0 | 0 | 11 | |
| | Technicians and associate professionals | Female | 2 | 0 | 0 | 1 | 0 | 1 | 1 | 0 | 0 | 0 | 0 | 1 | |
| | | | 1 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | 0 | |
| | Professionals | Female | 25 | 2 | 1 | 4 | 11 | 5 | 3 | 0 | 0 | 0 | 0 | 6 | |
| | | | 21 | 1 | 1 | 3 | 8 | 4 | 3 | 0 | 0 | 0 | 0 | 5 | |
| | Total | | 101 | 13 | 11 | 20 | 51 | 20 | 37 | 0 | 0 | 0 | 0 | 31 | |

| Financial Competency Development: Progress Report* | | | | | | | | | |
|--|--|---|--|---|--|--------------------------------|--|---|---|
| Description | | A. Total number of officials employed by municipality (Regulation 14(4)(a) and (c)) | | B. Total number of officials employed by municipal entities (Regulation 14(4)(a) and (c)) | | Consolidated: Total of A and B | Consolidated: Competency assessments completed for A and B | Consolidated: Total number of officials | Consolidated: Total number of officials |
| | | | | | | | | | |

| | | | 14(4)(a) and (c)) | | | (Regulation 14(4)(b) and (d)) | whose performance agreements comply with Regulation 16 (Regulation 14(4)(f)) | that meet prescribed competency levels (Regulation 14(4)(e)) |
|---|--------|---|--|---|-------------------------|-------------------------------|--|--|
| Financial Officials | | | | | | | | |
| Accounting officer | | | 1 | 0 | 1 | 1 | 1 | 1 |
| Chief financial officer | | | 1 | 0 | 1 | 1 | 1 | 1 |
| Senior managers | | | 2 | 0 | 2 | 2 | 2 | 1 |
| Any other financial officials | | | 23 | 0 | 23 | 0 | 0 | 8 |
| Supply Chain Management Officials | | | | | | | | |
| Heads of supply chain management units | | | 0 | 0 | 0 | 0 | 0 | 0 |
| Supply chain management senior managers | | | 1 | 0 | 1 | 0 | 0 | 1 |
| TOTAL | | | 28 | 0 | 28 | 4 | 4 | 12 |
| * This is a statutory report under the National Treasury: Local Government: MFMA Competency Regulations (June 2007) | | | | | | | | T4.5.2 |
| Skills Development Expenditure | | | | | | | | |
| R'000 | | | | | | | | |
| Management level | Gender | Employees as at the beginning of the financial year | Original Budget and Actual Expenditure on skills development 2017/18 | | | | | |
| | | | Learnership | Skills programmes & other short courses | Other forms of training | Total | | |

| | | I ye a r | | | | | | | | |
|--|----------------|-------------------|--------------------|----------------------------|--------------------|----------------------------|---------------|----------------------------|------------------|----------------------------|
| | | | No. | Origin al Budge t | Actu al | Origin al Budge t | Actu al | Origin al Budg et | Act ual | Origin al Budge t |
| MM and S56 | Fe m ale | 2 | R0.00 | R0.0 0 | R0.00 | R0.0 0 | R0.00 | R0. 00 | R0.00 | R0.00 |
| | M ale | 3 | R0.00 | R0.0 0 | R0.00 | R0.0 0 | R0.00 | R0. 00 | R0.00 | R0.00 |
| Legis lator s, senio r offici als and man agers | Fe m ale | 26 | R139 975.0 0 | R13 9 975. 00 | R0.00 | R0.0 0 | R0.00 | R0. 00 | R139 975.00 | R139 975.00 |
| | M ale | 22 | R26 330.0 0 | R26 330. 00 | R0.00 | R0.0 0 | R0.00 | R0. 00 | R26 330.00 | R26 330.00 |
| Profe ssion als | Fe m ale | 25 | R0.00 | R0.0 0 | R0.00 | R0.0 0 | R628 3.33 | R62 33. | R6283. 33 | R6283.33 |
| | M ale | 21 | R0.00 | R0.0 0 | R0.00 | R0.0 0 | R125 66.67 | R12 566 .67 | R1256 6.67 | R12566.67 |
| Tech nicia n and assoc iate profe ssion als | Fe m ale | 2 | R0.00 | R0.0 0 | R0.00 | R0.0 0 | R0.00 | R0. 00 | R0.00 | R0.00 |
| | M ale | 1 | R0.00 | R0.0 0 | R0.00 | R0.0 0 | R0.00 | R0. 00 | R0.00 | R0.00 |
| Clerk s | Fe m ale | 26 | R0.00 | R0.0 0 | R0.00 | R0.0 0 | R251 33.33 | R25 133 .33 | R2513 3.33 | R25133.33 |
| | M ale | 23 | R0.00 | R0.0 0 | R0.00 | R0.0 0 | R0.00 | R0. 00 | | |
| Elem entary occu patio ns | Fe m ale | 42 | R0.00 | R0.0 0 | R44 600.0 0 | R44 600. 00 | R0.00 | R0. 00 | R44 600.00 | R44 600.00 |
| | M ale | 43 | R0.00 | R0.0 0 | R259 500.0 0 | R25 950 0.00 | R0.00 | R0. 00 | R R259 500.00 | R259 500.00 |

| | | | | | | | | | | |
|-------|--|-----|----------------|------------|---------------|------------|---------------|------------|--------------|------------|
| Total | | 236 | R1663 05.00 | R16 630 | R304 00.00 | R30 410 | R439 83.33 | R43 983 | R5143 .33 | R514388.33 |
|-------|--|-----|----------------|------------|---------------|------------|---------------|------------|--------------|------------|

4.3 ORGANIZATIONAL PERFORMANCE REPORT

Ngqushwa Municipality Annual Performance for 2018/19 financial year is 82 %**(Audited)**, which shows improvement by 10% as compared to 72% of 2017/18 financial year .All gaps identified will be addressed in 2019/20 financial year.

| Priority Area | Total Annual Targets | Targets Achieved | Targets Not Achieved | % Achievement |
|--|----------------------|------------------|----------------------|---------------|
| Institutional Development and Design | 3 | 2 | 1 | 67% |
| Quality Infrastructure Services and Infrastructure Development | 15 | 11 | 4 | 73% |
| Local Economic Development and Spatial Planning | 8 | 7 | 1 | 88% |
| Financial Viability and Management | 2 | 2 | 0 | 100% |
| Good Governance and Public participation | 6 | 6 | 0 | 100% |
| Total Targets | 34 | 28 | 6 | 82% |

CHAPTER 5:
FINANCIAL PERFORMANCE

Component A: Statements of Financial Performance

The Statement of financial performance provides an overview of the financial performance of the municipality and focuses on the financial health of the municipality.

5.1 FINANCIAL SUMMARY

5.1.1 FINANCIAL PERFORMANCE

The table below indicates the summary of the financial performance for the 2018/19 financial year.

| Description | Financial Summary | | | | | |
|--|-------------------|------------------------|-------------|-----------------|------------------------------|------|
| | 2017/2018 | Current Year 2018/2019 | | | 2018/2019 Variance to Actual | |
| Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget | |
| Financial Performance | | | | | | |
| Property Rates | 25,089,475 | 28,779,832 | 25,467,860 | 31,240,118 | 107% | 84% |
| Service Charges | 758,857 | 755 323 | 604,258 | 805,722 | 105% | 105% |
| Investment Revenue | 755,148 | 2,701,720 | 2,771,720 | 1,211,707 | 40% | 40% |
| Transfer recognized – operational | 109 324 000 | 122 283 167 | 134 204 601 | 112,305,000 | 99% | 83% |
| Other own revenue | 62 157 224 | 16 041 221 | 17 415 503 | 14 941 962 | 967% | 973% |
| Total Revenue (excluding capital transfer and contribution) | 168 252 670 | 170 561 263 | 180,464,345 | 160,504,509 | 134% | 112% |
| Employee Costs | 59 036 010 | 66 807 175 | 65,118,722 | 67,627,715 | 94% | 96% |
| Remuneration & Councillors | 9 521 166 | 9,439,403 | 8,482,861 | 10,056,259 | 106% | 107% |
| Depreciation & asset impairment | 16 474 452 | 15,052,845 | 10,052,845 | 19,256,758 | 86% | 86% |
| Finance Charges | 889,246 | 4,209,600 | 1,669,600 | 389 151 | 11% | 0% |
| Materials and bulk purchases | - | | | - | - | - |
| Transfers and grants | - | | | - | - | - |
| Other expenditures | 27 640 029 | 40,400,409 | 50,699.215 | 46,236,648 | 74% | 104% |
| Total Expenditure | 149 746 743 | 137,820,704 | 138,466,714 | 143 566 533 | 96% | 84% |
| Surplus/(Deficit) | 50 338 927 | 32,680,55 | 42,007,631 | 16,937,976 | -77% | -83% |
| -Transfers recognized – Capital Contributions and Contributed assets | 31,833,000 | 22,122,000 | 32,922,000 | 32 922 000 | 139% | 100% |

| Description | Financial Summary | | | | | |
|---|-------------------|------------------------|--------------------|--------------------|------------------------------------|--------------------|
| | 2017/2018 | Current Year 2018/2019 | | | 2018/2019 Variance to Actual | |
| | | Actual | Original Budget | Adjusted Budget | Actual | Original Budget |
| Surplus/(Deficit) after capital transfers & contributions | - | - | - | - | - | - |
| Share of surplus / (deficit) of associate | - | - | - | - | - | - |
| Surplus / (Deficit) for the year | 44,573,472 | 32,680,559 | 12 711 658 | 15,356,793 | 4282% | 409% |
| Capital expenditure & Funds Sources | | | | | | |
| Capital Expenditure | 31 833 000 | 22,122,000 | 32 922 000 | 32 922 000 | 139% | 100% |
| Capital Transfers recognized | | | | | | |
| Public contributions & donations | - | - | - | - | 0% | 0% |
| Borrowing | - | - | - | - | 0% | 0% |
| Internally generated funds | - | - | - | - | 0% | 0% |
| Total Sourced of Capital Funds | 31 833 000 | 22,122,000 | 32 922 000 | 32 922 000 | 71% | 71% |
| Financial Position | | | | | | |
| Total Current Assets | 30,122,164 | 34,146,150 | 34,146,150 | 36,757,975 | 52% | 52% |
| Total non current assets | 264,106,031 | 219,766,110 | 219,766,110 | 275,135,936 | 107% | 103% |
| Total current liabilities | 20,004,313 | 22,345,739 | 22,345,739 | 20,899,359 | 52% | 52% |
| Total non current liabilities | 12,806,070 | 3,190,987 | 3,190,987 | 13,829,320 | 34% | 34% |
| Community wealth / Equity | 261,417,812 | 219,048,472 | 228,375,534 | 277,165,232 | 110% | 106% |
| Cash Flow | | | | | | |
| Net Cash from (used) operation | 35,963,981 | 78,863,532 | 78,813,532 | 37,214,805 | 228% | 188% |
| Net cash from (used) investing | (35,726,133) | (63,810,696) | (73,137,758) | (37,206,696) | 225% | 189% |
| Net cash from (used) financing | | | | | | |
| Cash/Cash equivalents at the year end | 1,503,665 | 16,252,836 | 6,875,774 | 1,511,774 | 156% | 95% |
| Cash backing /surplus reconciliation | | | | | | |
| Cash and investments available | - | - | - | - | - | - |
| Application of cash and investments | - | - | - | - | - | - |

| Financial Summary | | | | | | |
|--|-------------|------------------------|-----------------|-------------|------------------------------|-----------------|
| Description | 2017/2018 | Current Year 2018/2019 | | | 2018/2019 Variance to Actual | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| Balance – Surplus (Shortfall) | - | -28 486 435 | -22 866 538 | - | - | - |
| Asset Management | | | | | | |
| Asset register summary (WDV) | 170 056 701 | 193 816 255 | 202 366 255 | 225 890 962 | 116% | 111% |
| Depreciation & Asset impairment | 16 738 461 | 19 898 238 | 19 898 238 | 17 219 921 | 86% | 86% |
| Renewal of Existing Assets | - | - | - | - | - | - |
| Repairs and Maintenance | 6 6012 391 | 2 047 121 | 2 613 145 | 3 319 013 | 162% | 127% |
| Free Services | | | | | | |
| Cost of Free Basic Services provided | 2 090 493 | 880 572 | 2 800 000 | 2 596 254 | 294% | 92% |
| Revenue Cost of Free Services provided | 2 090 493 | 880 572 | 2 800 000 | 2 596 254 | 294% | 92% |
| Households below Minimum Service Level | | | | | | |
| Water: | - | - | - | - | - | - |
| Sanitation / Sewerage: | - | - | - | - | - | - |
| Energy: | 3 787 | 4 900 | 4 632 | 4 632 | 89% | 100% |
| Refuse: | 1 993 | 3 404 | 1 992 | 1 992 | 58% | 100% |

5.2 GRANTS

5.2.1 Grant Performance

The Municipality had a total amount of 86,189,650 for Operational Expenditure available that was received in the form of grants from the National and Provincial Governments during the 2018/19 financial year. The performance in the spending of these grants is summarized as follows:

The table below indicates the Grant performance for the 2018/19 financial year:

| Grant Performance | | | | | | |
|--------------------------------|-----------|------------------------|-----------------|--------|------------------------------|-----------------|
| Description | 2017/2018 | Current Year 2018/2019 | | | 2018/2019 Variance to Actual | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| Operating transfers and grants | | | | | | |

| Description | Grant Performance | | | | | | R'000 |
|--|-------------------|------------------------|-----------------|-----------------|------------------------------|-----------------|-----------------|
| | 2017/2018 | Current Year 2018/2019 | | | 2018/2019 Variance to Actual | | |
| | | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjusted Budget |
| National Government Equitable Share FMG MIG (PMU – Operating Expenses – INEP EPWP | 73,615,000 | 75,488,000 | 75,488,000 | 75,488,000 | | 100% | 100% |
| | 2 345 000 | 2,415,000 | 2,415,000 | 2,415,000 | | 100% | 100% |
| | 1,141,650 | 1,106,100 | 1,106,100 | 1,106,100 | | 100% | 100% |
| | 3 899 544 | 5,332,000 | 6,332,000 | 6,332,000 | | 100% | 100% |
| | 1 531 000 | 1,480,000 | 1,480,000 | 1,480,000 | | 100% | 100% |
| | 93 811 750 | 86,821,100 | 86,821,100 | 86,821,100 | | 100% | 100% |
| Provincial Government Health subsidy Ambulance subsidy Sports and Recreation Roads maintenance District Municipality | - | - | - | - | | - | - |
| | 350 000 | 368,550 | 400000 | 400000 | | 100% | 100% |
| | - | - | - | - | | - | - |
| | | | | | | | |
| | | | | | | | |
| | 94 161 750 | 87,189,650 | 87,221,100 | 87,221,100 | | 100% | 100% |

5.3 ASSET MANAGEMENT

Asset management is practiced within the organization based on a comprehensive asset management policy. The Asset Management Policy provides direction for the management, accounting and control of Property, Plant & Equipment (Assets) owned or controlled by the municipality to ensure the following:

Implementation of the approved Asset Management Policy as required in terms of section 63 of the Municipal Finance Management Act (MFMA).

Verify assets in possession of the Council annually, during the course of the financial year.

Keep a complete and balanced record of all assets in possession of the Council.

Report in writing all asset losses, where applicable, to Council. Those assets are valued and accounted for in accordance with a statement of GRAP.

Those assets are properly maintained and safeguarded. The roles of the following are clearly defined within the asset management policy:

- Municipal Manager
- Chief Finance Officer
- Asset control section
- Manager budget section
- Manager Expenditure section
- Procurement section
- All other departments

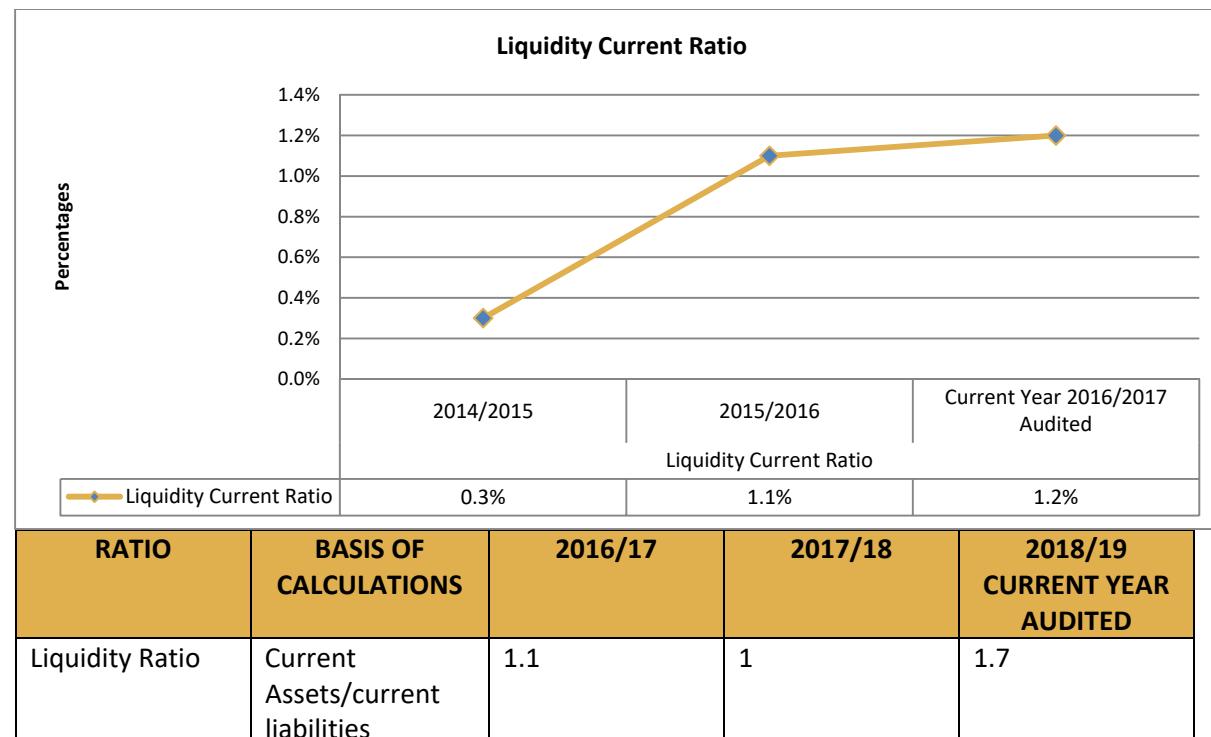
Asset Management is performed in line with the Asset Management Policy as described above. The control and safeguarding of assets remain the responsibility of each department. Each department budgets for the necessary maintenance of the assets under their control in order for the assets to achieve their economic life spans.

5.4 REPAIRS AND MAINTENANCE

| Repair and Maintenance Expenditure 2018/2019 | | | | | R' 000 |
|--|-----------------|-------------------|--------|-----------------|--------|
| | Original Budget | Adjustment Budget | Actual | Budget variance | |
| Repairs and Maintenance Expenditure | 1,938,466 | 2,433,471 | 0.0 | 0.00 | |
| | | | | | T5.3.4 |

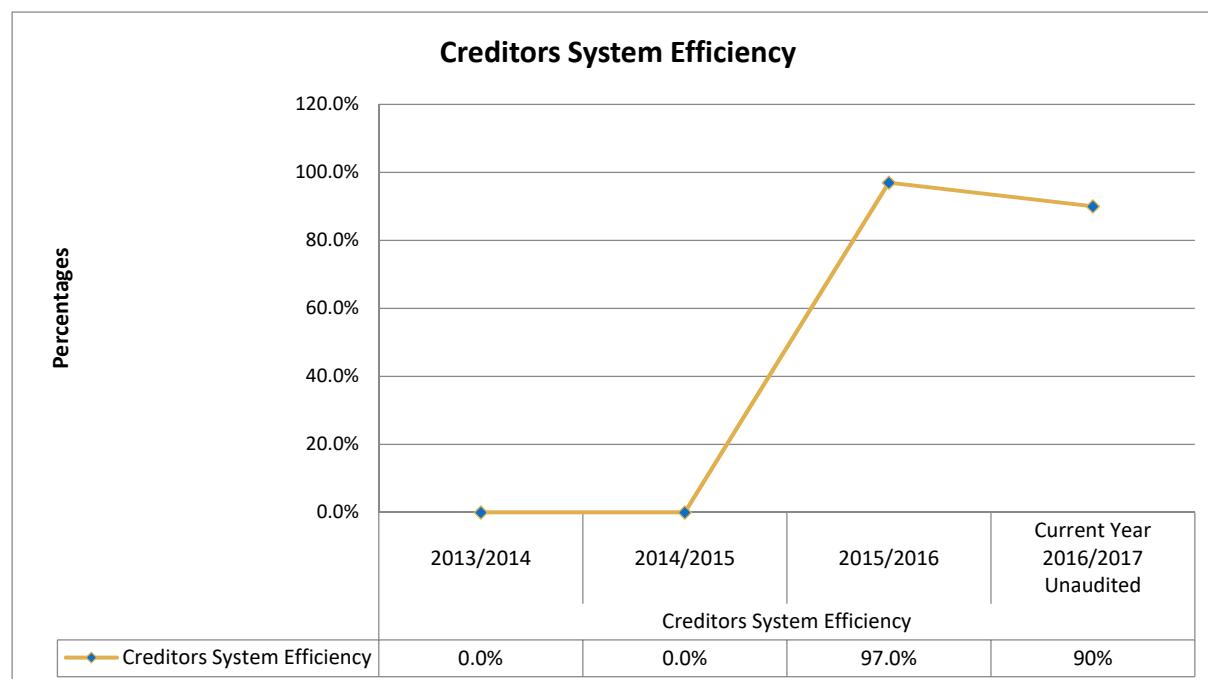
5.5 FINANCIAL RATIOS BASED ON KEY PERFORMANCE INDICATORS

5.5.1 Liquidity Ratio

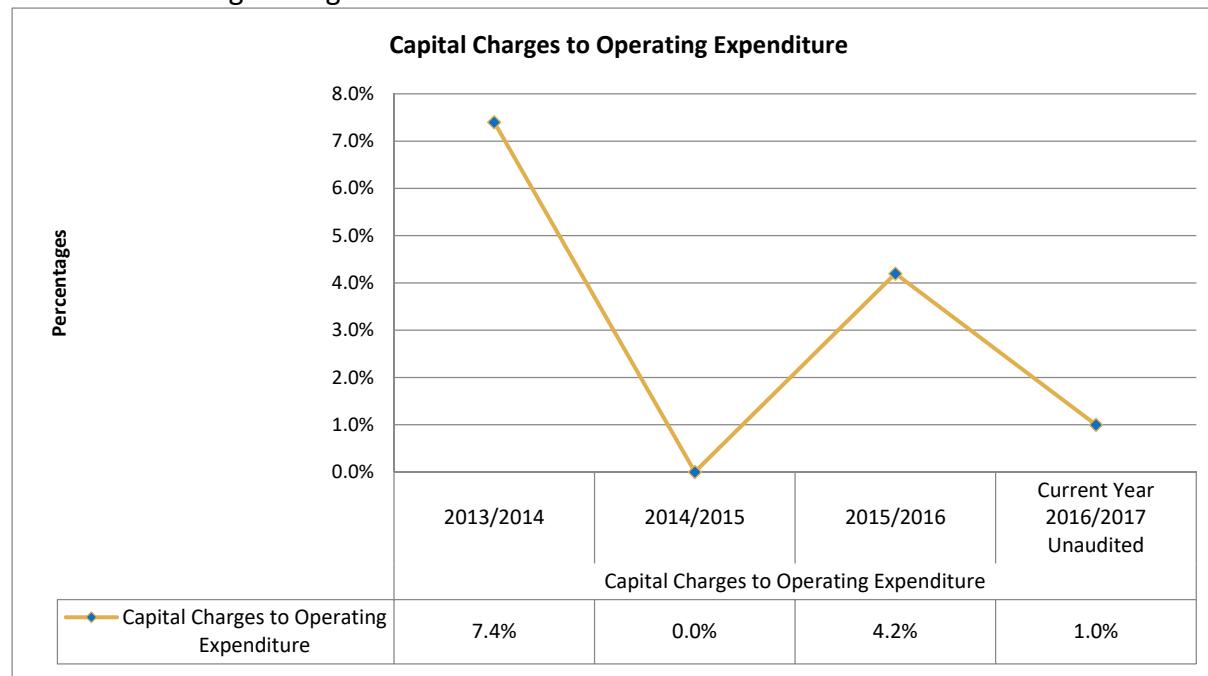


5.5.2 Creditors Management

| Ratio | Basis of calculation | 15/16 | 16/17 | 17/18 | current year audited 2018/19 |
|-----------------------------|---|-------|-------|--------|------------------------------|
| Creditors System Efficiency | % of Creditors Paid Within Terms (within MFMA ¹ s 65(e)) | 97% | 90% | 99.9 % | 60% |

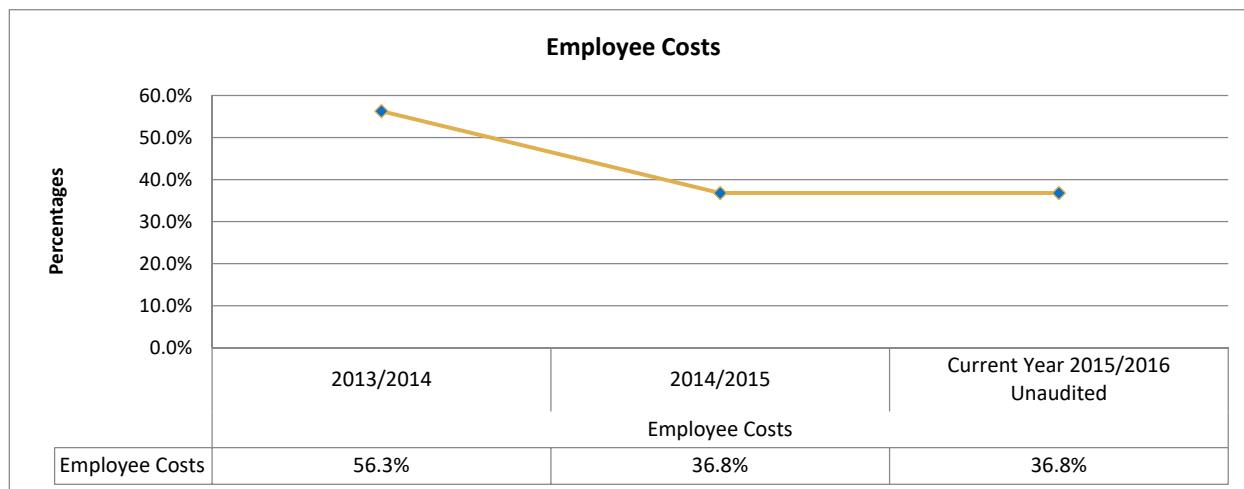


5.5.3 Borrowing Management



| Ratio | Basis of calculation | 15/16 | 16/17 | 2017/18 | 2018/19 current year unaudited |
|--|--|-------|-------|---------|--------------------------------|
| Capital Charges to Operating Expenditure | Interest & Principal Paid /Operating Expenditure | 4.2% | 1.0% | 0.07% | 0 |

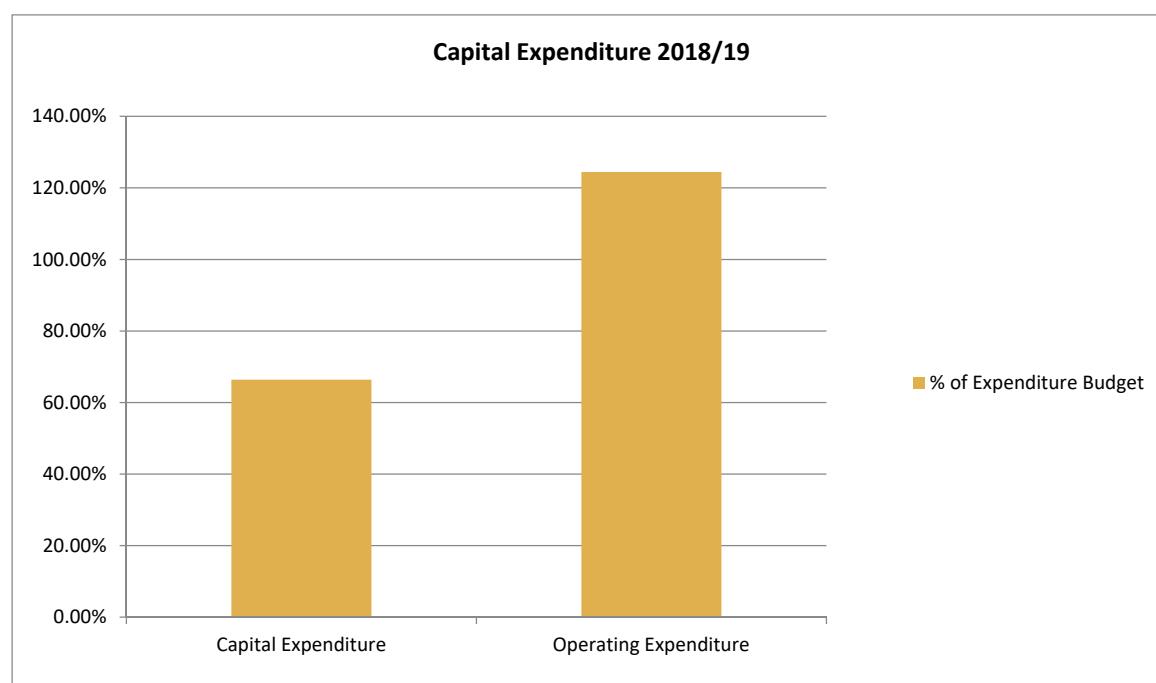
5.5.4 Employee costs



| Ratio | Basis of calculation | 15/16 | 16/17 | 2017/18 | 2018/19 current year audited |
|----------------|--|-------|-------|---------|------------------------------|
| Employee costs | Employee costs/(Total Revenue - capital revenue) | 40% | 41.1% | 38.9% | 53% |

Component B: Spending Against Capital Budget

5.6 CAPITAL EXPENDITURE



| | % of Expenditure Budget | Original Budget | Adjustment Budget | Un-audited Full Year Total |
|-----------------------|-------------------------|-----------------|-------------------|----------------------------|
| Capital Expenditure | 224% | 32 680 568 | 42 007 630 | 31 991 534 |
| Operating Expenditure | 85% | 137 880 704 | 138 456 715 | 145 147 716 |
| Total expenditure | 110% | 170 561 136 | 180 464 345 | 177 139 250 |

5.7 Sources of Finance

5.7.1 Capital Expenditure by Funding Source

The table below indicates the capital expenditure by funding source for the 2018/19 financial year:

| Description | Capital Expenditure – Funding Sources 2017/18 – 2018/2019 R'000 | | | | | |
|---------------------------------------|--|------------------------|-----------------|-----------------|------------------------------|-----------------|
| | 2017/18 | Current Year 2018/2019 | | | 2018/2019 Variance to Actual | |
| | | Actual | Original Budget | Adjusted Budget | Actual | Original Budget |
| Source of Financed Grants & subsidies | 34,140,893 | 21,732,000 | 38 147 900 | 31 815 900 | 146% | 83% |
| Other | 12,275,317 | 6332668 | 3 859 730 | 315 750 | 4.9% | 8.1% |
| Transfers/ Donations | 47,435,647 | | | | | |
| Total | 93,851,857 | 32 680 568 | 42007630 | 32 131 650 | 150.9% | 91.1% |
| Percentage of Finance | | | | | | |

| Capital Expenditure – Funding Sources 2017/18 – 2018/2019 | | | | | | |
|---|-------------------|------------------------|-----------------|-------------------|------------------------------|--------------------|
| Description | 2017/18 | Current Year 2018/2019 | | | 2018/2019 Variance to Actual | |
| | Actual | Original Budget | Adjusted Budget | Actual | Original Budget | Adjustments Budget |
| External Loans | - | - | - | - | - | - |
| Public Contr & Donations | 50 | - | - | - | - | - |
| Grants & Subsidies | 36 | 66 | 91 | 99 | 150% | 108% |
| Other | 13 | 34 | 9 | 12.9% | | 11% |
| Capital Expenditure Environment | - | | | - | - | - |
| Waste | | | | | | |
| Electricity Planning | 3899543 | 5332000 | 6332000 | 6332000 | 118% | 100% |
| Roads & Storm Water | 30241350 | 19630900 | 23266437 | 25 659 534 | 130% | 110% |
| Community and Social Services | | 3400000 | 10174684 | | 0 | |
| Corporate Services | 59,125,428 | 4317668 | 2234509 | 140 116 | 3.2 | 6.27% |
| Other | | | | | | |
| Total | 93,851,857 | 32 680 568 | 42007630 | 32 131 650 | 98% | 76% |
| Percentage of expenditure | | | | | | |
| Environmental Waste | - | | | - | - | - |
| Electricity Planning | 4.15 | 16.31 | 15 | 19.67 | 120 | 131 |
| Roads & Storm Water | 32 | 60 | 55.38 | 79.85 | 133 | 144 |
| Community and Social Services | | 10.40 | 24.22 | | 0 | 0 |
| Corporate Services | | | | | | |
| Other | 63.85 | 13.29 | 5.4 | 0.48 | 3.61- | 8.88- |

Component C: Cash Flow Management and Investments

5.8 CASH FLOW

| Cash Flow Outcomes | | | | |
|--|-----------|-----------------|-----------------|--------|
| Description | 2017/2018 | 2018/2019 | | |
| | Actual | Original Budget | Adjusted Budget | Actual |
| CASH FLOW FROM OPERATION ACTIVITIES Receipts | | | | |

| Description | Cash Flow Outcomes | | | |
|--|--------------------|--------------------|--------------------|--------------------|
| | 2017/2018 | 2018/2019 | | |
| | Actual | Original Budget | Adjusted Budget | Actual |
| Ratepayers and other | 36 085 913 | 58798351 | 58798351 | 30 168 979 |
| Government – Operation | 78 443 907 | 95935267 | 95935267 | 87 519 314 |
| Government – Capital | 31,833,000 | 26347900 | 26347900 | 32,922,000 |
| Interest | 2,740,297 | 7044954 | 7044954 | 3,297,471 |
| Dividends | - | - | - | - |
| Payments | - | - | - | - |
| Suppliers and employees | - | -120702858 | -120702858 | -121,924,389 |
| Finance charges | - | - | - | - |
| Transfers and Grants | - | - | - | - |
| NET CASH FROM / (USED) OPERATING ACTIVITIES | 35,963,981 | 78863531.92 | 78863531.92 | 31,983,373 |
| CASH FLOW FROM INVESTING ACTIVITIES | | | | |
| Receipts | | | | |
| Proceeds on disposal of PPE | 944 310 | | | 136 073 |
| Decrease (increase) in non-current debtors | - | - | - | - |
| Decrease (increase) other non-current receivables | - | -31130128 | -31130128 | - |
| Decrease (increase) in non-current investments | - | - | - | - |
| Payments | - | - | - | - |
| Capital Assets | -36 670 443 | -32680568 | -32680568 | -32 039 191 |
| NET CASH FROM/(USED) INVESTING ACTIVITIES | -35,726,133 | -63810696 | -63810696 | -32,175,264 |
| CASH FLOW FROM FINANCING ACTIVITIES | | | | |
| Receipts | - | - | - | - |
| Short term loans | - | - | - | - |
| Borrowing long term/refinancing | - | - | - | - |
| Increase (decrease) in consumer deposits | - | - | - | - |
| Payments | - | - | - | - |
| Repayment of borrowing | 0 | - | - | - |
| NET CASH FROM / (USED) FINANCING ACTIVITIES | -5 348 191 | - | - | - |
| NET INCREASE / (DECREASE) IN CASH FIELD | 237,848 | 15052835.92 | 15052835.92 | -191,891 |
| Cash/Cash equivalents at the year begin | 1,265,817 | 1 200 000 | 1 200 000 | 1,503,665 |
| Cash/Cash equivalents at the year end | 1,503,665 | 16 252 | 16 252 | 1,311,774 |
| | | 835.92 | 835.92 | |

Spending against Capital Budget

| Capital Expenditure 2018-2019 | |
|--------------------------------------|---------------|
| Budget | Actual |
| R 42 007 630 | R 32 131 650 |

CHAPTER 6

AUDITOR GENERAL AUDIT FINDINGS

Component A: Auditor-General Opinion

| Auditor General Report on Financial Performance 2018/19 | |
|---|-------------------------|
| Audit Report status | Qualified Audit Opinion |

ANNEXURE A
ANNUAL FINANCIAL STATEMENT



NGQUUSHWA LOCAL MUNICIPALITY
(Registration number EC126)
Annual Financial Statements
for the year ended 30 June 2019

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

GENERAL INFORMATION

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5.

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10.

7.

11.

LEGAL FORM OF ENTITY

Local Municipality

Ngqushwa Local Municipality is a South African Category B Municipality (Local Municipality) as defined by the Municipal Structures Act (Act no. 117 of 1998) The municipality's operations are governed by the Municipal Finance Management Act No 56 of 2003.

NATURE OF BUSINESS AND PRINCIPAL ACTIVITIES

Ngqushwa is a Local Municipality rendering basic services such as Refuse Collection, Infrastructure Development and Economic Development Community Services.

LEGISLATION GOVERNING THE MUNICIPALITY OPERATIONS

Constitution of the Republic of South Africa (Act 108 of 1998)

Local Government: Municipal Finance Management Act (Act no.56 of 2003)

Local Government: Municipal Systems Act (Act 32 of 2000)

Local Government: Municipal Structures Act (Act 117 of 1998)

Municipal Property Rates Act (Act 6 of 2004)

Division of Revenue Act (Act 1 of 2007)

EXECUTIVE COMMITTEE

M. T. Siwisa (Mayor)

N. Magingxa (Speaker) (Member of the Executive Committee)

F. Pumaphi (Chief whip) (Member of the Executive Committee)

L. Kolisi (Member of the Executive Committee)

Z. R. Nduneni (Member of the Executive Committee)

S. S Maneli (Member of the Executive Committee)

N. Mtati

N. C. Gxasheka

P. Sitole

D. Ncanya

N. Jako

L. Moyeni

T. Sikweyiya

N. Leve

N. V. Gxasheka

N. Mquqo

S. Gwamu

R. Taylor

N. Fulani

N. Mpeli (Deceased on the 8th August 2019)

N. Lawu

M. L Luzipho

Z. Jowela

COUNCILLORS

TRADITIONAL LEADERS

N. Ngqondi (Princess)

L. Zitshu (Prince)

N. Mhlauli (Prince)

Z. Njokweni (Chief)

A. Goni (Prince)

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

GRADING OF LOCAL AUTHORITY

3

CHIEF FINANCIAL OFFICER (CFO)

Mr.V.C Makedama

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

GENERAL INFORMATION

ACCOUNTING OFFICER

Mrs. M. P. Mpahlwa

REGISTERED OFFICE

Corner of N2 and R345 Road
Peddie
5640

BUSINESS ADDRESS

Corner of N2 and R345 Road
Peddie
5640

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

GENERAL INFORMATION

P.O Box 539

POSTAL ADDRESS

Peddie
5640

BANKERS

First National Bank

AUDITORS

Auditor General of South Africa

LEGAL REPRESENTATIVE

Dyushu and Majebe

Attorneys

CONTACT DETAILS

Email: mmpahlwa@ngqushwamun.gov.za

Telephone: 040 673 3095

www.ngqushwamun.gov.za

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

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13.
17.

14.
18.

15.
19.

The reports and statements set out below comprise the annual financial statements presented to the Council:

| 9. | PAGE |
|---|---------|
| Accounting Officer's Responsibilities and Approval of the Annual Financial Statements | 6 |
| Statement of Financial Position as at 30 June 2019 | 7 |
| Statement of Financial Performance for the year ended 30 June 2019 | 8 |
| Statement of Changes in Net Assets for the year ended 30 June 2019 | 9 |
| Cash Flow Statement for the year ended 30 June 2019 | 10 |
| Statement of Comparison of Budget and Actual Amounts | 11 – 15 |
| Accounting Policies | 16 – 34 |
| Notes to the Annual Financial Statements | 35 – 66 |

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

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11.

ABBREVIATIONS

| | |
|--------|---|
| ASB | Accounting Standard Board |
| CETA | Construction Education and Training Authority |
| GRAP | Generally Recognised Accounting Practice |
| IEC | Independent Electoral Commission |
| SALGBC | South African Local Government Bargaining Council |
| IPSAS | International Public Sector Accounting Standards |
| MEC | Member of the Executive Council |
| MFMA | Municipal Finance Management Act |
| MIG | Municipal Infrastructure Grant (Previously CMIP) |
| MPAC | Municipal Public Accounts Committee |
| PAYE | Pay As You Earn |
| SARS | South African Revenue Services |
| SDL | Skills Development Levy |
| UIF | Unemployment Insurance Fund |
| VAT | Value Added Tax |
| mSCOA | Municipal Standard Chart of Accounts |

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

ACCOUNTING OFFICER'S RESPONSIBILITIES AND APPROVAL OF THE ANNUAL FINANCIAL STATEMENTS

20.
24.

21.
25.

22.
26.

23.
27.

The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that she is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the accounting officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the 01 July 2019 to 30 June 2020 and, in the light of this review and the current financial position, she is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

The external auditors are responsible for independently auditing and reporting on the municipality's annual financial statements. The annual financial statements have been examined by the municipality's external auditors and their report is presented on page 7.

The annual financial statements set out on pages 7 to 66, which have been prepared on the going concern basis, were approved by the council on 31 August 2019 and were signed on its behalf by:

Mrs. M. P. Mpahlwa
Accounting officer

30 November 2019

Peddie

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

STATEMENT OF FINANCIAL POSITION AS AT 30 JUNE 2019

28. 29. 30. 31.
Note(s) 30 June 2019 30 June 2018
Restated*

| | 32. 36. | 33. 37. | 34. 38. | 35. 39. |
|--|------------|--------------------|--------------------|--------------------|
| ASSETS | | | | |
| Current Assets | | | | |
| Inventories | 3 | 9,852,500 | 9,852,500 | |
| Operating lease asset | 4 | 311,045 | 396,993 | |
| Receivables from non-exchange transactions | 5 | 14,606,091 | 10,281,930 | |
| Receivables from exchange transactions | 6 | 6,795,664 | 5,256,940 | |
| VAT receivable | 7 | 3,400,048 | 3,568,352 | |
| Cash and cash equivalents | 8 | 1,311,775 | 1,503,665 | |
| | | 36,277,123 | 30,860,380 | |
| Non-Current Assets | | | | |
| Intangible assets | 9 | 671,320 | 875,046 | |
| Investment property | 10 | 26,673,500 | 28,094,865 | |
| Property, plant and equipment | 11 | 261,578,384 | 243,435,390 | |
| Heritage assets | 12 | 3 | 3 | |
| | | 288,923,207 | 272,405,304 | |
| Total Assets | | | 325,200,330 | 303,265,684 |
| LIABILITIES | | | | |
| Current Liabilities | | | | |
| Payables from exchange transactions | 13 | 20,537,803 | 19,593,205 | |
| Payables from non-exchange transactions | 14 | 714,963 | 581,193 | |
| | | 21,252,766 | 20,174,398 | |
| Non-Current Liabilities | | | | |
| Provisions | 15 | 13,829,320 | 12,806,070 | |
| Total Liabilities | | | 35,082,086 | 32,980,468 |
| Net Assets | | | 290,118,244 | 270,285,216 |
| Accumulated surplus | | | 290,118,240 | 270,285,215 |

* See Note 38

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

Statement of Financial Performance for the year ended 30 JUNE 2019

40. 41. 42. 43.
30 June 2019 30 June 2018
Restated

44. 45. 46. 47.
48. 49. 50. 51.

Revenue

Revenue from exchange transactions

| | 1) | 4. | 5. |
|---|-----------|-------------------|-------------------|
| 3. service charges | 6 | 805,722 | 758,857 |
| 6. ental of facilities and equipment | 7 | 162,379 | 155,982 |
| 9. gency fees | 8 | 391,981 | 309,521 |
| 12. ices and permits | 9 | 1,756,357 | 1,715,473 |
| 15. ther revenue | 0 | 1,174,225 | 2,000,966 |
| 18. nterest earned on Outstanding Debtors | 1 | 2,085,764 | 1,985,149 |
| 21. nterest received - investment | 2 | 1,211,707 | 755,148 |
| 2) otal revenue from exchange transactions | 3) | 4) | 5) |
| | | 7,588,135 | 7,681,096 |
| | | <small>3)</small> | <small>4)</small> |

Revenue from non-exchange transactions

| 1) Taxation revenue | 2) | 3) | 4) |
|---|------------|--------------------|--------------------|
| 24. roperty rates | 8) | 25. | 26. |
| | 3 | 31,240,118 | 25,080,555 |
| 5) Transfer revenue | 6) | 7) | 8) |
| 27. overnment grants | 9) | 28. | 29. |
| | 4 | 118,744,784 | 113,223,544 |
| 30. ines and penalties | 10) | 31. | 32. |
| | 5 | 1,154,950 | 449,700 |
| 33. ther transfer revenue | 11) | 34. | 35. |
| | 6 | 8,136,314 | 57,541,399 |
| 6) otal revenue from non-exchange transactions | 7) | 8) | 9) |
| | | 159,276,166 | 196,295,198 |
| 10) otal revenue | 12) | 11) | 12) |
| | | 166,864,301 | 203,976,294 |
| | | <small>9)</small> | <small>10)</small> |

Expenditure

| | | | |
|----------------------------------|-----|--------------|--------------|
| 36. mployee related costs | 13) | 37. | 38. |
| | 7 | (67,704,904) | (59,080,377) |
| 39. emuneration of councillors | 14) | 40. | 41. |
| | 8 | (10,066,659) | (9,521,166) |
| 42. epreciation and amortisation | 15) | 43. | 44. |
| | 9 | (20,919,994) | (18,593,356) |
| 45. mpairment of assets | 16) | 46. | 47. |
| | 0 | - | (14,881,096) |
| 48. inance costs | 17) | 49. | 50. |
| | 1 | (788,304) | (889,246) |
| 51. ebt impairment | 18) | 52. | 53. |
| | 2 | 399,151 | (545,461) |

* See Note 38

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

| | | | |
|---|---|----------------------|----------------------|
| 54. | 3 | 55. | 56. |
| ontracted services | | (11,246,226) | (18,254,069) |
| 57. | 4 | 58. | 59. |
| ther expenditure | | (35,084,578) | (28,766,608) |
| 13) | | 15) | 16) |
| otal expenditure | | (145,411,514) | (150,531,379) |
| 17) | | 18) | 19) |
| operating surplus | | 21,452,787 | 53,444,915 |
| 60. | 5 | 61. | 62. |
| oss on disposal and revaluation of assets | | (1,619,762) | (5,765,455) |
| 20) | | 22) | 23) |
| urplus for the year | | 19,833,025 | 47,679,460 |

* See Note 38

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

Statement of Changes in Net Assets for the year ended 30 June 2019

| | 52. | 53. | 54. |
|---|-----|------------------------|---------------------|
| | | Accumulated surplus | Total net assets |
| 55. | | | |
| 56. | | | |
| Opening balance as previously reported | | 219,799,464 | 219,799,464 |
| Adjustments | | | |
| Correction of errors | | 2,806,291 | 2,806,291 |
| Balance at 01 July 2017 as restated* | | 222,605,755 | 222,605,755 |
| Changes in net assets | | | |
| Surplus for the year | | 47,679,460 | 47,679,460 |
| Total changes | | 47,679,460 | 47,679,460 |
| Restated* Balance at 01 July 2018 | | 270,285,215 | 270,285,215 |
| Changes in net assets | | | |
| Surplus for the year | | 19,833,025 | 19,833,025 |
| Total changes | | 19,833,025 | 19,833,025 |
| Balance at 30 June 2019 | | 290,118,240 | 290,118,240 |
| Note(s) | | | |

* See Note 38

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

CASH FLOW STATEMENT FOR THE YEAR ENDED 30 JUNE 2019

| 61. | 62. | 63. | 64. |
|-----|---------|--------------|---------------------------|
| | Note(s) | 30 June 2019 | 30 June 2018 Restated* |

| | | | |
|-----|-----|-----|-----|
| 65. | 66. | 67. | 68. |
| 69. | 70. | 71. | 72. |

CASH FLOWS FROM OPERATING ACTIVITIES

Receipts

| | | |
|-----------------------------|-------------|-------------|
| Billed Services | 28,508,562 | 37,015,451 |
| Government Grants | 126,881,098 | 114,563,505 |
| Interest Revenue | 3,297,471 | 2,740,298 |
| Receipt from other services | 3,168,849 | 3,119,317 |
| | 161,855,980 | 157,438,571 |

Payments

| | | |
|--------------------------------------|---------------|---------------|
| Cash paid to Suppliers and Employees | (128,545,423) | (121,399,624) |
| Finance costs | (95,545) | (129,609) |
| | (128,640,968) | (121,529,233) |

Net cash flows from operating activities

36 **33,215,012** **35,909,339**

CASH FLOWS FROM INVESTING ACTIVITIES

| | | | |
|---|----|--------------|--------------|
| Purchase of Property, Plant and Equipment | 11 | (33,581,535) | (36,577,984) |
| Proceeds from Sale of Property, Plant and Equipment | 11 | 183,636 | 606,233 |
| Purchase of Intangible Assets | 9 | (47,656) | (92,460) |
| Proceeds from insurance | | 38,652 | 392,720 |

Net cash flows from investing activities

(33,406,903) **(35,671,491)**

Net increase/(decrease) in Cash and Cash Equivalents

(191,891) **237,848**

| | | | |
|--|--|-----------|-----------|
| Cash and Cash Equivalents at the beginning of the year | | 1,503,665 | 1,265,817 |
|--|--|-----------|-----------|

Cash and Cash Equivalents at the end of the year

8 **1,311,774** **1,503,665**

* See Note 38

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

| Budget on Accrual Basis | | 73. 74. 80. 86. | 75. 81. 87. | 76. 82. 88. | 77. 83. 89. | 78. 84. 90. | 79. 85. 91. | 79. 85. 92. | Reference |
|-------------------------|--|--------------------------|-------------------|-------------------|------------------------------------|--|-------------------|-------------------|-----------|
| | | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | | | |
| | | 93. 100. | 94. 101. | 95. 102. | 96. 103. | 97. 104. | 98. 105. | 99. 106. | |

STATEMENT OF FINANCIAL PERFORMANCE

REVENUE

REVENUE FROM EXCHANGE TRANSACTIONS

| | | | | | | |
|---|-------------------|------------------|-------------------|------------------|--------------------|----|
| Service Charges | 755,323 | (151,065) | 604,258 | 805,722 | 201,464 | a) |
| Rental of Facilities and Equipment | 572,207 | 80,000 | 652,207 | 162,379 | (489,828) | b) |
| | | | | | | |
| Licences and Permits | 2,248,877 | - | 2,248,877 | 1,756,357 | (492,520) | c) |
| Other Revenue | 4,468,009 | 152,000 | 4,620,009 | 1,174,225 | (3,445,784) | d) |
| Agency Fees | 509,106 | - | 509,106 | 391,981 | (117,125) | e) |
| Interest Earned - Outstanding Debtors | 4,343,234 | (357,315) | 3,985,919 | 2,085,764 | (1,900,155) | f) |
| | | | | | | |
| Interest Revenue | 2,701,720 | 70,000 | 2,771,720 | 1,211,707 | (1,560,013) | g) |
| Total Revenue from Exchange Transactions | 15,598,476 | (206,380) | 15,392,096 | 7,588,135 | (7,803,961) | |

REVENUE FROM NON-EXCHANGE TRANSACTIONS

| | | | | | | |
|--|--------------------|-------------------|--------------------|--------------------|---------------------|----|
| Property Rates | 28,779,832 | (3,311,972) | 25,467,860 | 31,240,118 | 5,772,258 | h) |
| TRANSFER REVENUE | | | | | | |
| Transfers recognised-operational/ Government grants | 111,837,000 | 6,800,000 | 118,637,000 | 118,744,784 | 107,784 | i) |
| | | | | | | |
| Fines and Penalties | 3,899,788 | 1,500,000 | 5,399,788 | 1,154,950 | (4,244,838) | j) |
| Other Transfer Revenue | 10,446,167 | 5,121,434 | 15,567,601 | 8,136,314 | (7,431,287) | k) |
| Total Revenue from Non-Exchange Transactions | 154,962,787 | 10,109,462 | 165,072,249 | 159,276,166 | (5,796,083) | |
| Total Revenue | 170,561,263 | 9,903,082 | 180,464,345 | 166,864,301 | (13,600,044) | |

EXPENDITURE

| | | | | | | |
|-------------------------------|--------------|-----------|--------------|--------------|--------------|----|
| Employee Related Costs | (66,807,175) | 1,688,453 | (65,118,722) | (67,704,904) | (2,586,182) | l) |
| Remuneration of Councillors | (9,439,403) | 956,542 | (8,482,861) | (10,066,659) | (1,583,798) | m) |
| Depreciation and Amortisation | (15,052,845) | 5,000,000 | (10,052,845) | (20,919,994) | (10,867,149) | n) |
| Finance Costs | (2,100,000) | 2,100,000 | - | (788,304) | (788,304) | o) |
| Debt Impairment | (2,169,600) | 500,000 | (1,669,600) | - | 1,669,600 | p) |
| Debt Impairment | (1,911,272) | (522,199) | (2,433,471) | 399,151 | 2,832,622 | q) |

NGQUSHWA LOCAL MUNICIPALITY

(Registration number EC126)

Annual Financial Statements for the year ended 30 June 2019

| | | | | | | |
|-----------------------------|----------------------|------------------|----------------------|----------------------|---------------------|----|
| Contracted Services | (23,482,205) | (8,573,733) | (32,055,938) | (11,246,226) | 20,809,712 | r) |
| Other Expenditure | (16,918,204) | (1,725,073) | (18,643,277) | (35,084,578) | (16,441,301) | s) |
| Total expenditure | (137,880,704) | (576,010) | (138,456,714) | (145,411,514) | (6,954,800) | |
| Operating Surplus | 32,680,559 | 9,327,072 | 42,007,631 | 21,452,787 | (20,554,844) | |
| Loss on Disposal of Assets | - | - | - | (1,619,762) | (1,619,762) | u) |
| Surplus for the year | 32,680,559 | 9,327,072 | 42,007,631 | 19,833,025 | (22,174,606) | |

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|--------------------|------------------|--------------------|------------------------------------|--|-----------|
| STATEMENT OF FINANCIAL POSITION | | | | | | |
| ASSETS | | | | | | |
| CURRENT ASSETS | | | | | | |
| Inventories | 3,345,700 | - | 3,345,700 | 9,852,500 | 6,506,800 | w) |
| Operating Lease Asset | - | 396,993 | 396,993 | 311,045 | (85,948) | x) |
| Receivables from Non exchange | 19,546,231 | (6,697,658) | 12,848,573 | 14,606,091 | 1,757,518 | y) |
| Receivables from Exchange | - | 6,697,658 | 6,697,658 | 6,795,664 | 98,006 | z) |
| Transactions | | | | | | |
| Vat Receivables | 9,988,402 | (396,993) | 9,591,409 | 2,891,412 | (6,699,997) | aa) |
| Cash and cash equivalents | 1,265,817 | - | 1,265,817 | 1,311,775 | 45,958 | bb) |
| | 34,146,150 | - | 34,146,150 | 35,768,487 | 1,622,337 | |
| NON-CURRENT ASSETS | | | | | | |
| Intangible assets | 1,248,448 | (269,939) | 978,509 | 671,320 | (307,189) | dd) |
| Investment property | 24,058,000 | - | 24,058,000 | 26,673,500 | 2,615,500 | ee) |
| Property, plant and equipment | 185,132,600 | 9,597,001 | 194,729,601 | 261,578,384 | 66,848,783 | ff) |
| Heritage assets | - | - | - | 3 | 3 | |
| | 210,439,048 | 9,327,062 | 219,766,110 | 288,923,207 | 69,157,097 | |
| Total Assets | 244,585,198 | 9,327,062 | 253,912,260 | 324,691,694 | 70,779,434 | |

| LIABILITIES | | | | | | |
|---|-------------------|---|-------------------|-------------------|--------------------|-----|
| CURRENT LIABILITIES | | | | | | |
| Payables from exchange transactions | 22,345,739 | - | 22,345,739 | 20,537,803 | (1,807,936) | gg) |
| Payables from Non-Exchange Transactions | - | - | - | 714,963 | 714,963 | hh) |
| | 22,345,739 | - | 22,345,739 | 21,252,766 | (1,092,973) | |

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--------------------------------|--------------------|------------------|--------------------|------------------------------------|--|-----------|
| NON-CURRENT LIABILITIES | | | | | | |
| Provisions | 3,190,987 | - | 3,190,987 | 13,829,320 | 10,638,333 | (ii) |
| Total Liabilities | 25,536,726 | - | 25,536,726 | 35,082,086 | 9,545,360 | |
| Net Assets | 219,048,472 | 9,327,062 | 228,375,534 | 289,609,608 | 61,234,074 | |
| Accumulated surplus | 219,048,472 | 9,327,062 | 228,375,534 | 286,218,700 | 57,843,166 | (jj) |

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Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
| | | | | | | |

CASH FLOW STATEMENT

CASH FLOWS FROM OPERATING ACTIVITIES

RECEIPTS

| | | | | | | |
|------------------------------|--------------------|-------------------|--------------------|--------------------|---------------------|------|
| Billed Services | 60,308,997 | - | 60,308,997 | 28,508,562 | (31,800,435) | (jj) |
| Government Grants | 122,283,167 | 11,799,833 | 134,083,000 | 126,881,098 | (7,201,902) | (kk) |
| Interest Revenue | 7,044,954 | - | 7,044,954 | 3,297,471 | (3,747,483) | (ll) |
| Receipts from Other Services | 12,054,272 | - | 12,054,272 | 3,168,849 | (8,885,423) | (mm) |
| | 201,691,390 | 11,799,833 | 213,491,223 | 161,855,980 | (51,635,243) | |

PAYMENTS

| | | | | | | |
|--------------------------------------|----------------------|-----------------|----------------------|----------------------|--------------------|------|
| Cash paid to Suppliers and Employees | (120,702,858) | (50,000) | (120,752,858) | (128,545,423) | (7,793,198) | (nn) |
| Finance costs | (2,125,000) | - | (2,125,000) | (95,545) | 2,029,455 | (00) |
| | (122,827,858) | (50,000) | (122,877,858) | (128,640,968) | (5,763,743) | |

| | | | | | | |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|--|
| Net Cash Flows from Operating Activities | 78,863,532 | 11,749,833 | 90,613,365 | 33,215,012 | (57,398,986) | |
|---|-------------------|-------------------|-------------------|-------------------|---------------------|--|

CASH FLOWS FROM INVESTING ACTIVITIES

| | | | | | | |
|---|---------------------|--------------------|---------------------|---------------------|-------------------|------|
| Purchase of Property, Plant and Equipment | (32,680,568) | (9,327,062) | (42,007,630) | (33,581,535) | 8,426,095 | (pp) |
| Proceeds from Sale of Property, Plant and Equipment | (31,130,128) | - | (31,130,128) | 183,636 | 31,313,764 | (qq) |
| Purchase of Intangible Assets | - | - | - | (47,656) | (47,656) | (rr) |
| Proceeds from Insurance Claim | - | - | - | 38,652 | 38,652 | (ss) |
| Net Cash Flows from Investing Activities | (63,810,696) | (9,327,062) | (73,137,758) | (33,406,903) | 39,730,855 | |

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|---|-------------------|------------------|-------------------|------------------------------------|--|-----------|
| Net increase/(decrease) in cash and cash equivalents | 15,052,836 | 2,422,771 | 17,475,607 | (191,891) | (17,668,131) | |
| Cash and Cash Equivalents at the beginning of the year | 1,200,000 | - | 1,200,000 | 1,503,665 | 303,665 | (tt) |
| Cash and Cash Equivalents at the end of the year | 16,252,836 | 2,422,771 | 18,675,607 | 1,311,774 | (17,364,466) | |

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

| Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|-----------------|-------------|--------------|------------------------------------|--|-----------|
| | | | | | |

Explanation of material differences between budget and actual amounts:

The accounting policies on pages 16 to 34 and the notes on pages 35 to 66 form an integral part of the annual financial statements

- a) Properties that were surveyed and billed during the financial year but not included in the budget.
- b) The rental of facilities budget includes the budget for hall hire which was over budgeted.
- c) Over estimation of application for learners and drivers licences.
- d) Direct income - less revenue collected during the financial year.
- e) Less collection on behalf of Department of transport which results to less agency fees.
- f) Due to debt interest written off during the financial year
- g) Less interest generated due to cashflow limitation.
- h) More properties that were surveyed and billed during the financial year but not included in the budget.
- i) Due to incorrect treatment of the expense.
- j) Fewer fines issued during the financial year.
- k) Included in the budget amount was from education Seta which was subsequently not entirely received.
- l) Less than 10%.
- m) Less than 10%
- n) the depreciation was under budgeted for as the municipality was striving to prepare and complete the funded budget.
- o) Less than 10%.
- p) Less than 10%.
- q) Less than 10%..
- r) Less than 10%..
- s) Less than 10%..

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

| | Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|
|--|-----------------|-------------|--------------|------------------------------------|--|-----------|

- t) Less than 10%..
- u) No budget made for loss on disposal.
- w) Under budgeting due to insufficient availability of information .
- x) Amount has been incorrectly included under other debtors.
- y) Increase in debtors due to properties that were surveyed and billed during the financial year
- z) Less than 10%
- aa) Debtors who subsequently paid the municipality

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STATEMENT OF COMPARISON OF BUDGET AND ACTUAL AMOUNTS

Budget on Cash Basis

| Approved budget | Adjustments | Final Budget | Actual amounts on comparable basis | Difference between final budget and actual | Reference |
|-----------------|-------------|--------------|------------------------------------|--|-----------|
| | | | | | |

- bb) Less than 10%
- dd) Less addition purchased than budgeted for due to cashflow management limitations.
- ee) Fair Value adjustments.
- ff) Increase in additions due to additional funds received from Infrastructure National Transferring Office.
- gg) Decrease due to payables paid by the municipality
- hh) Incorrectly included with trade payables transaction
- ii) Increase due to change in calculated provision liability
- jj) Collection of old debt interest
- kk) Less than 10%
- ll) Decreased in interest due to limitation of cashflows
- mm) Low collection during the financial year, less fines paid, less application for drivers licenses paid and other direct income
- oo) The 95 545 refers to over due accounts interest charged
- pp) Due to cashflow limitations
- qq) Over budgeting for proceeds to be received by the municipality

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Annual Financial Statements for the year ended 30 June 2019

ACCOUNTING POLICIES

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1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise. They are presented in South African Rand.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

1.1 Presentation Currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

1.2 Going Concern Assumption

These annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

1.3 Significant Judgements and Sources of Estimation Uncertainty

In preparing the annual financial statements, management is required to make estimates and assumptions that affect the amounts represented in the annual financial statements and related disclosures. Use of available information and the application of judgement is inherent in the formation of estimates. Actual results in the future could differ from these estimates which may be material to the annual financial statements. Significant judgements include:

RECEIVABLES

The municipality assesses its trade receivables for impairment at the end of each reporting period. In determining whether an impairment loss should be recorded in surplus or deficit, the municipality makes judgements as to whether there is observable data indicating a measurable decrease in the estimated future cash flows from a financial asset.

The impairment for trade receivables is calculated on a portfolio basis, based on historical loss ratios, adjusted for national and industry-specific economic conditions and other indicators present at the reporting date that correlate with defaults on the portfolio. These annual loss ratios are applied to loan balances in the portfolio and scaled to the estimated loss emergence period.

PROVISIONS

Provisions were raised and management determined an estimate based on the information available. Additional disclosure of these estimates of provisions are included in note 15 - Provisions.

ALLOWANCE FOR DOUBTFUL DEBTS

On debtors an impairment loss is recognised in surplus and deficit when there is objective evidence that it is impaired. The impairment is measured as the difference between the debtors carrying amount and the present value of estimated future cash flows discounted at the effective interest rate, computed at initial recognition.

1.4 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

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ACCOUNTING POLICIES

1.4 Investment property (continued)

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

SUBSEQUENT MEASUREMENT - FAIR VALUE METHOD

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

If the entity determines that the fair value of an investment property under construction is not reliably determinable but expects the fair value of the property to be reliably measurable when construction is complete, it measures that investment property under construction at cost until either its fair value becomes reliably determinable or construction is completed (whichever is earlier). If the entity determines that the fair value of an investment property (other than an investment property under construction) is not reliably determinable on a continuing basis, the entity measures that investment property using the cost model (as per the accounting policy on Property, plant and equipment). The residual value of the investment property is then assumed to be zero. The entity applies the cost model (as per the accounting policy on Property, plant and equipment) until disposal of the investment property.

Once the entity becomes able to measure reliably the fair value of an investment property under construction that has previously been measured at cost, it measures that property at its fair value. Once construction of that property is complete, it is presumed that fair value can be measured reliably. If this is not the case, the property is accounted for using the cost model in accordance with the accounting policy on Property, plant and equipment.

1.5 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, its deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

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ACCOUNTING POLICIES

1.5 Property, plant and equipment (continued)

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for land which is carried at cost being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

The useful lives of items of property, plant and equipment have been assessed as follows:

| ITEM | DEPRECIATION METHOD | AVERAGE USEFUL LIFE |
|--|---------------------|---------------------|
| Land | | Indefinite |
| Buildings | Straight line | 9 - 30 years |
| Plant and machinery | Straight line | 10 - 15 years |
| Furniture and fixtures | Straight line | 5 - 7 years |
| Motor vehicles | Straight line | 7 years |
| Office equipment | Straight line | 5 - 7 years |
| Computer equipment | Straight line | 3 - 5 years |
| Security equipment | Straight line | 5 years |
| Other equipment | Straight line | 5 years |
| Infrastructure | | |
| • Roads paved | Straight line | 30 years |
| • Roads Graded | Straight line | 7 - 25 years |
| • Electricity (Street lights and High Masts) | Straight line | 7 - 20 years |
| Minor Assets | | Immediately |
| Park facilities | Straight line | 5 - 76 years |
| Maintenance Equipment | Straight line | 10 years |
| Landfill Sites | Straight line | 69 - 98 years |
| Work in progress | | Not depreciated |

The depreciable amount of an asset is allocated on a systematic basis over its useful life.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation method used reflects the pattern in which the asset's future economic benefits or service potential are expected to be consumed by the municipality. The depreciation method applied to an asset is reviewed at least at each reporting date and, if there has been a significant change in the expected pattern of consumption of the future economic benefits or service potential embodied in the asset, the method is changed to reflect the changed pattern. Such a change is accounted for as a change in an accounting estimate.

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ACCOUNTING POLICIES

1.5 Property, plant and equipment (continued)

The municipality assesses at each reporting date whether there is any indication that the municipality expectations about the residual value and the useful life of an asset have changed since the preceding reporting date. If any such indication exists, the municipality revises the expected useful life and/or residual value accordingly. The change is accounted for as a change in an accounting estimate.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

Assets which the municipality holds for rentals to others and subsequently routinely sell as part of the ordinary course of activities, are transferred to inventories when the rentals end and the assets are available-for-sale. Proceeds from sales of these assets are recognised as revenue. All cash flows on these assets are included in cash flows from operating activities in the cash flow statement.

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ACCOUNTING POLICIES

1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

| ITEM | DEPRECIATION METHOD | AVERAGE USEFUL LIFE |
|--------------------------|---------------------|---------------------|
| Computer software, other | Straight line | 5 years |

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

1.7 Heritage Assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

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ACCOUNTING POLICIES

1.7 Heritage Assets (continued)

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Cost is the amount of cash or cash equivalents paid or the fair value of the other consideration given to acquire an asset at the time of its acquisition or construction or, where applicable, the amount attributed to that asset when initially recognised in accordance with the specific requirements of other Standards of GRAP.

Depreciation is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

INITIAL MEASUREMENT

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

SUBSEQUENT MEASUREMENT

After recognition as an asset, a class of heritage assets is carried at its cost less any accumulated impairment losses.

IMPAIRMENT

The municipality assesses at each reporting date whether there is an indication that it may be impaired. If any such indication exists, the municipality estimates the recoverable amount or the recoverable service amount of the heritage asset.

DERECOGNITION

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

1.8 Financial Instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectability.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

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ACCOUNTING POLICIES

1.8 Financial Instruments (continued)

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
 - receive cash or another financial asset from another entity; or
 - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

CLASSIFICATION

The entity has the following types of financial assets (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| CLASS | CATEGORY |
|--|--|
| Receivables from Exchange Transactions | Financial asset measured at amortised cost |
| Receivables from Non-exchange Transactions | Financial asset measured at amortised cost |
| Vat Receivables | Financial asset measured at amortised cost |
| Operating Lease Asset | Financial asset measured at amortised cost |
| Cash and Cash Equivalents | Financial asset measured at fair value |

The entity has the following types of financial liabilities (classes and category) as reflected on the face of the statement of financial position or in the notes thereto:

| CLASS | CATEGORY |
|---|--|
| Payables from Exchange Transactions | Financial liability measured at amortised cost |
| Payables from Non-Exchange Transactions | Financial liability measured at amortised cost |

INITIAL RECOGNITION

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

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ACCOUNTING POLICIES

4.8 Financial Instruments (continued)

INITIAL MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

SUBSEQUENT MEASUREMENT OF FINANCIAL ASSETS AND FINANCIAL LIABILITIES

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

GAINS AND LOSSES

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

IMPAIRMENT AND UNCOLLECTIBILITY OF FINANCIAL ASSETS

The entity assesses at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

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ACCOUNTING POLICIES

4.8 Financial Instruments (continued)

DERECOGNITION

FINANCIAL ASSETS

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity:
 - derecognise the asset; and
 - recognise separately any rights and obligations created or retained in the transfer.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continues to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

FINANCIAL LIABILITIES

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

PRESENTATION

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

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ACCOUNTING POLICIES

1.9 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

OPERATING LEASES – LESSOR

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

1.10 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the first-in, first-out (FIFO) formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

1.11 Impairment of Cash-Generating Assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

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ACCOUNTING POLICIES

1.11 Impairment of Cash-Generating Assets (continued)

A cash-generating unit is the smallest identifiable group of assets used with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements are made by management in applying the criteria to designate assets as cash-generating assets or non-cash-generating assets. Additional text

CASH-GENERATING UNITS

If there is any indication that an asset may be impaired, the recoverable amount is estimated for the individual asset. If it is not possible to estimate the recoverable amount of the individual asset, the municipality determines the recoverable amount of the cash-generating unit to which the asset belongs (the asset's cash-generating unit).

If an active market exists for the output produced by an asset or group of assets, that asset or group of assets is identified as a cash-generating unit, even if some or all of the output is used internally. If the cash inflows generated by any asset or cash-generating unit are affected by internal transfer pricing, the municipality use management's best estimate of future price(s) that could be achieved in arm's length transactions in estimating:

- the future cash inflows used to determine the asset's or cash-generating unit's value in use; and
- the future cash outflows used to determine the value in use of any other assets or cash-generating units that are affected by the internal transfer pricing.

Cash-generating units are identified consistently from period to period for the same asset or types of assets, unless a change is justified.

The carrying amount of a cash-generating unit is determined on a basis consistent with the way the recoverable amount of the cash-generating unit is determined.

An impairment loss is recognised for a cash-generating unit if the recoverable amount of the unit is less than the carrying amount of the unit. The impairment is allocated to reduce the carrying amount of the cash-generating assets of the unit on a pro rata basis, based on the carrying amount of each asset in the unit. These reductions in carrying amounts are treated as impairment losses on individual assets.

In allocating an impairment loss, the entity does not reduce the carrying amount of an asset below the highest of:

- its fair value less costs to sell (if determinable);
- its value in use (if determinable); and
- zero.

The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other cash-generating assets of the unit.

Where a non-cash-generating asset contributes to a cash-generating unit, a proportion of the carrying amount of that non-cash-generating asset is allocated to the carrying amount of the cash-generating unit prior to estimation of the recoverable amount of the cash-generating unit.

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ACCOUNTING POLICIES

1.12 Impairment of non-cash-generating assets

Cash-generating assets are assets used with the objective of generating a commercial return. Commercial return means that positive cash flows are expected to be significantly higher than the cost of the asset.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

Useful life is either:

- the period of time over which an asset is expected to be used by the municipality; or
- the number of production or similar units expected to be obtained from the asset by the municipality.

Judgements made by management in applying the criteria to designate assets as non-cash-generating assets or cash-generating assets, are as follows:

[Specify judgements made]

1.13 Employee Benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

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ACCOUNTING POLICIES

1.13 Employee Benefits (continued)

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

SHORT-TERM EMPLOYEE BENEFITS

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measures the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

1.14 Provisions and Contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

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ACCOUNTING POLICIES

1.14 Provisions and Contingencies (continued)

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating surplus.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 46.

1.15 Revenue from Exchange Transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

MEASUREMENT

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

SALE OF GOODS

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

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ACCOUNTING POLICIES

1.15 Revenue from Exchange Transactions (continued)

RENDERING OF SERVICES

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by services performed to date as a percentage of total services to be performed.

INTEREST

Revenue arising from the use by others of entity assets yielding interest, royalties and dividends or similar distributions is recognised when:

- It is probable that the economic benefits or service potential associated with the transaction will flow to the municipality, and
- The amount of the revenue can be measured reliably.

Interest is recognised, in surplus or deficit, using the effective interest rate method.

Royalties are recognised as they are earned in accordance with the substance of the relevant agreements.

Dividends or similar distributions are recognised, in surplus or deficit, when the municipality's right to receive payment has been established.

Service fees included in the price of the product are recognised as revenue over the period during which the service is performed.

1.16 Revenue from Non-Exchange Transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by a municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

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ACCOUNTING POLICIES

1.16 Revenue from Non-Exchange Transactions (continued)

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, a municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

RECOGNITION

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

MEASUREMENT

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

FINES

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

1.17 Investment Income

Investment income is recognised on a time-proportion basis using the effective interest method.

1.18 Borrowing Costs

Borrowing costs are interest and other expenses incurred by an entity in connection with the borrowing of funds.

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ACCOUNTING POLICIES

1.18 Borrowing Costs (continued)

Borrowing costs are recognised as an expense in the period in which they are incurred.

1.19 Comparative Figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

1.20 Unauthorised Expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.21 Fruitless and Wasteful Expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

1.22 Irregular Expenditure

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

1.23 Budget Information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 2018/07/01 to 2019/06/30.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

1.24 Related Parties

A related party is a person or an entity with the ability to control or jointly control the other party, or exercise significant influence over the other party, or vice versa, or an entity that is subject to common control, or joint control.

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities.

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ACCOUNTING POLICIES

1.24 Related Parties (continued)

Joint control is the agreed sharing of control over an activity by a binding arrangement, and exists only when the strategic financial and operating decisions relating to the activity require the unanimous consent of the parties sharing control (the venturers).

Related party transaction is a transfer of resources, services or obligations between the reporting entity and a related party, regardless of whether a price is charged.

Significant influence is the power to participate in the financial and operating policy decisions of an entity, but is not control over those policies.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

The municipality is exempt from disclosure requirements in relation to related party transactions if that transaction occurs within normal supplier and/or client/recipient relationships on terms and conditions no more or less favourable than those which it is reasonable to expect the municipality to have adopted if dealing with that individual entity or person in the same circumstances and terms and conditions are within the normal operating parameters established by that reporting entity's legal mandate.

Where the municipality is exempt from the disclosures in accordance with the above, the municipality discloses narrative information about the nature of the transactions and the related outstanding balances, to enable users of the entity's financial statements to understand the effect of related party transactions on its annual financial statements.

1.25 Valued Added Tax

The municipality accounts for value added tax on accrual basis but pays over to /claims from SARS on a payment basis.

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ACCOUNTING POLICIES

1.26 Expenditure

Expenses are decreases in economic benefits or service potential during the reporting period in the form of outflows or consumption of assets or incurrences of liabilities that result in decreases in net assets. An expense is recognised in the municipality's statement of financial performance when, and only when the goods are received and or services consumed. Where an item possesses the essential characteristics of an expense but fails to meet the criteria for recognition it is disclosed in the note.

Where an outflow of economic benefits does not result in future benefits, it is disclosed as fruitless and wasteful expenditure. The point at which an expense is recognised is dependent on the nature of the transaction or other event that gives rise to the expense. Where future economic benefits are consumed immediately or soon after acquisition, for example, repairs and maintenance expenditure, bulk purchases and general expenses, the expense is recognised in the reporting period in which the acquisition of the future economic benefit occurs. Where future economic benefits are expected to be consumed over several reporting periods e.g. non-current assets, expenses (depreciation) are allocated systematically to the reporting period during which the future economic benefits are expected to be consumed; where expenditure produces no future economic benefits e.g. fines paid, an expense is recognised immediately; and where a liability is incurred without the recognition of an asset an expense is recognised simultaneously with the recognition of the liability.

Generally, expenses are accounted for on an accrual basis at fair value. Under the accrual basis of accounting expenses are recognised when incurred usually when goods are received or services are consumed. This may not be when the goods or services are actually paid for. Fair value is the amount for which an asset could be exchanged or a liability settled between knowledgeable willing parties in an arm's length transaction.

Major expenses include:

- Repairs and Maintenance - inclusive of repairs and maintenance to buildings, infrastructure assets, motor vehicles and sports and recreational facilities;
- Other Expenditure which constitute several expense items which are not individually significant and
- Losses on the disposal of assets are reported separately from expenses on the Statement of Financial Performance.

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Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

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30 June 2019

30 June 2018

Restated

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126.

2. NEW STANDARDS AND INTERPRETATIONS

2.1 Standards and interpretations effective and adopted in the current year

In the current year, the municipality has adopted the following standards and interpretations that are effective for the current financial year and that are relevant to its operations:

NGQUSHWA LOCAL MUNICIPALITY

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Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

GRAP 21 (AS AMENDED 2016): IMPAIRMENT OF NON-CASH-GENERATING ASSETS

Amendments to the Standard of GRAP on Impairment of Non-cash Generating Assets resulted from changes made to IPSAS 21 on Impairment of Non-Cash-Generating Assets (IPSAS 21) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 26 (AS AMENDED 2016): IMPAIRMENT OF CASH-GENERATING ASSETS

Amendments Changes to the Standard of GRAP on Impairment of Cash Generating Assets resulted from changes made to IPSAS 26 on Impairment of Cash-Generating Assets (IPSAS 26) as a result of the IPSASB's Impairment of Revalued Assets issued in March 2016.

The most significant changes to the Standard are:

- IPSASB amendments: To update the Basis of conclusions and Comparison with IPSASs to reflect the IPSASB's recent decision on the impairment of revalued assets.

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

GRAP 31 (AS AMENDED 2016): INTANGIBLE ASSETS

Amendments to the Standard of GRAP on Intangible Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from changes made to IPSAS 31 on Intangible Assets (IPSAS 31) as a result of the IPSASB's Improvements to IPSASs 2014 issued in January 2015.

The most significant changes to the Standard are:

- General improvements: To add the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets
- IPSASB amendments: To clarify the revaluation methodology of the carrying amount and accumulated depreciation when an item of intangible assets is revalued; and To clarify acceptable methods of depreciating assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

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Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

GRAP 103 (AS AMENDED 2016): HERITAGE ASSETS

Amendments to the Standard of GRAP on Heritage Assets resulted from inconsistencies in measurement requirements in GRAP 23 and other asset-related Standards of GRAP in relation to the treatment of transaction costs. Other changes resulted from editorial changes to the original text.

The most significant changes to the Standard are:

- General improvements: To clarify the treatment of transaction costs and other costs incurred on assets acquired in non-exchange transactions to be in line with the principle in GRAP 23 (paragraph .12); and To clarify the measurement principle when assets may be acquired in exchange for a non-monetary asset or assets, or a combination of monetary and non-monetary assets

The effective date of the amendment is for years beginning on or after 01 April 2018.

The municipality has adopted the amendment for the first time in the 2019 annual financial statements.

The impact of the amendment is set out in note Changes in Accounting Policy.

3. INVENTORIES

| | | |
|---|-----------|-----------|
| Land to be transferred to beneficiaries | 9,852,500 | 9,852,500 |
|---|-----------|-----------|

4. OPERATING LEASE ASSET

| | | |
|-----------------|---------|---------|
| Leases for Land | 311,045 | 396,993 |
|-----------------|---------|---------|

The municipality lets land to tenants under leases covering periods ranging from 3 - 30 years. The leases are subject to escalation clauses as per the lease agreement resulting in straight lining of the rentals received and receivable.

The amount included above represents the difference between the actual rentals received and the calculated straight line lease.

Minimum lease payments receivable

| | | |
|-----------------------------------|-------------------|------------------|
| within one year | 247,392 | 130,718 |
| in second to fifth year inclusive | 1,567,459 | 588,541 |
| later than five years | 23,630,783 | 887,551 |
| | 25,445,634 | 1,606,810 |

5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|------------------------------------|-------------------|-------------------|
| Property Rates | 11,819,550 | 11,652,601 |
| Less: Impairment on Property Rates | (4,330,659) | (4,877,270) |
| Other Receivables | 7,117,200 | 3,506,599 |
| | 14,606,091 | 10,281,930 |

Property Rates

| | | |
|------------|---------|---------|
| 0-30 Days | 522,727 | 472,525 |
| 31-60 Days | 179,460 | 118,331 |

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Annual Financial Statements for the year ended 30 June 2019

NOTES TO THE ANNUAL FINANCIAL STATEMENTS

2. NEW STANDARDS AND INTERPRETATIONS (continued)

| | | |
|---------------|-------------------|-------------------|
| 61-90 Days | 101,698 | 104,821 |
| 91-120 Days | 121,154 | 87,011 |
| 121-150 Days | 104,850 | 75,470 |
| Over 151 Days | 10,789,662 | 10,794,441 |
| | 11,819,551 | 11,652,599 |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 30 June 2019 | 30 June 2018 | Restated |
|--|-------------------|------------------|----------|
| <hr/> | | | |
| 5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued) | | | |
| SUMMARY OF TOTAL DEBTORS (EXCHANGE AND NON-EXCHANGE) BY CUSTOMER CLASSIFICATION | | | |
| Residential | | | |
| 0-30 Days | 479,623 | 383,469 | |
| 31-60 Days | 188,629 | 135,038 | |
| 61-90 Days | 163,383 | 106,307 | |
| 91-120 Days | 169,171 | 100,897 | |
| 121-150 Days | 153,726 | 123,681 | |
| Over 151 Days | 6,852,482 | 7,301,402 | |
| Less: Allowance for impairment | 8,007,014 | 8,150,794 | |
| | (6,539,532) | (6,840,039) | |
| | 1,467,482 | 1,310,755 | |
| Business | | | |
| 0-30 Days | 356,188 | 375,036 | |
| 31-60 Days | 125,734 | 122,723 | |
| 61-90 Days | 80,669 | 81,736 | |
| 91-120 Days | 74,725 | 66,364 | |
| 121-150 Days | 70,394 | 67,018 | |
| Over 151 Days | 3,532,704 | 2,837,693 | |
| Less: Allowance for impairment | 4,240,414 | 3,550,571 | |
| | (1,722,832) | (1,821,476) | |
| | 2,517,582 | 1,729,095 | |
| Government | | | |
| 0-30 Days | 272,159 | 188,884 | |
| 31-60 Days | 126,429 | 91,668 | |
| 61-90 Days | 121,726 | 33,526 | |
| 91-120 Days | 121,848 | 34,195 | |
| 121-150 Days | 122,066 | 88,405 | |
| Over 151 Days | 9,535,265 | 8,555,744 | |
| | 10,299,493 | 8,992,422 | |
| <hr/> | | | |
| Total debtor past due but not impaired | | | |
| 0-30 Days | 947,390 | 947,390 | |
| 31-60 Days | 126,428 | 91,668 | |
| 61-90 Days | 121,726 | 33,526 | |
| 91-120 Days | 121,848 | 34,195 | |
| 121-150 Days | 122,066 | 88,405 | |
| Over 151 Days | 9,535,265 | 8,555,744 | |
| | 10,299,493 | 8,992,422 | |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 30 June 2019 | 30 June 2018 |
|--|-------------------|------------------|
| | | Restated |
| 5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued) | 10,974,723 | 9,750,928 |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 30 June 2019 | 30 June 2018 | Restated |
|--|--------------------|--------------------|----------|
| <hr/> | | | |
| 5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued) | | | |
| RECONCILIATION OF PROVISION FOR IMPAIRMENT ALLOWANCE | | | |
| Opening balance | 8,661,515 | 8,116,055 | |
| Provision for impairment | (399,151) | 545,460 | |
| | 8,262,364 | 8,661,515 | |
| <hr/> | | | |
| TOTAL DEBTORS (EXCHANGE AND NON-EXCHANGE) | | | |
| Balance Net of Credit Balances | 22,193,464 | 20,693,787 | |
| Gross up of Credit Balance | <u>353,456</u> | <u>-</u> | |
| | 22,546,920 | 20,693,787 | |
| <hr/> | | | |
| 6. RECEIVABLES FROM EXCHANGE TRANSACTIONS | | | |
| GROSS BALANCES | | | |
| Refuse | <u>1,230,788</u> | <u>1,173,464</u> | |
| Rent | 172,977 | 134,707 | |
| Interest on Overdue Accounts | 9,323,604 | 7,733,014 | |
| | 10,727,369 | 9,041,185 | |
| <hr/> | | | |
| LESS: ALLOWANCE FOR IMPAIRMENT | | | |
| Refuse | <u>(450,981)</u> | <u>(491,161)</u> | |
| Rent | (63,388) | (56,382) | |
| Interest on Overdue Accounts | (3,417,336) | (3,236,702) | |
| | (3,931,705) | (3,784,245) | |
| <hr/> | | | |
| NET BALANCE | | | |
| Refuse | <u>779,807</u> | <u>682,303</u> | |
| Rent | 109,589 | 78,325 | |
| Interest on Overdue Accounts | 5,906,268 | 4,496,312 | |
| | 6,795,664 | 5,256,940 | |
| <hr/> | | | |
| REFUSE | | | |
| Current (0 -30 days) | <u>130,863</u> | <u>103,399</u> | |
| 31 - 60 days | 43,109 | 46,809 | |
| 61 - 90 days | 43,139 | 31,881 | |
| 91 - 120 days | <u>26,529</u> | <u>31,304</u> | |
| 121 - 150 days | 24,569 | 23,838 | |
| > 151 days | 962,580 | 936,231 | |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 30 June 2019 | 30 June 2018 | |
|--|------------------|------------------|----------|
| | | | Restated |
| 5. RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS (continued) | 1,230,789 | 1,173,462 | |
| HOUSING RENTAL | | | |
| Current (0 -30 days) | 60,937 | 7,285 | |
| 91 - 120 days | - | - | |
| 121 - 150 days | - | - | |
| > 151 days | 112,040 | 127,422 | |
| | 172,977 | 134,707 | |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 30 June 2019 | 30 June 2018 | |
|--|-----------------|-----------------|----------|
| | | | Restated |

6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued)

INTEREST ON OVERDUE ACCOUNTS

| | | |
|----------------------|------------------|------------------|
| Current (0 -30 days) | 393,442 | 364,180 |
| 31 - 60 days | 218,223 | 184,288 |
| 61 - 90 days | 220,940 | 84,866 |
| 91 - 120 days | 218,061 | 83,140 |
| 121 - 150 days | 216,766 | 179,796 |
| > 151 days | 8,056,170 | 6,836,745 |
| | 9,323,602 | 7,733,015 |

7. VAT RECEIVABLE

| | | |
|----------------------------|------------------|------------------|
| VAT Input Control Account | 2,787,342 | 1,867,624 |
| VAT Output Control Account | (202,097) | (204,665) |
| VAT Receivable from SARS | <u>814,803</u> | <u>1,905,395</u> |
| | 3,400,048 | 3,568,352 |

8. CASH AND CASH EQUIVALENTS

Cash and cash equivalents consist of:

| | | |
|---------------|------------------|------------------|
| Bank Balances | 754,422 | 1,019,122 |
| Investments | 557,353 | 484,543 |
| | 1,311,775 | 1,503,665 |

THE MUNICIPALITY HAD THE FOLLOWING BANK ACCOUNTS:

| Account number / description | Bank statement balances | | | Cash book balances | | |
|--|-------------------------|--------------|--------------|--------------------|--------------|--------------|
| | 30 June 2019 | 30 June 2018 | 30 June 2017 | 30 June 2019 | 30 June 2018 | 30 June 2017 |
| FNB Main Account- 62022000898 | 754,422 | 1,019,122 | 1,145,308 | 754,422 | 1,019,122 | 1,145,308 |
| FNB Reserve Fund account - 62035920596 | - | - | - | 1,784 | - | 1,784 |
| FNB MIG Account - 62270667531 | - | - | - | 13,003 | - | 13,003 |
| FNB Rates Accounts- 62414349763 | 536,929 | 484,543 | 96,119 | 536,929 | 484,543 | 96,119 |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | | | | | 30 June 2019 | 30 June 2018 | |
|--|----------|--------------|------------------|------------------|------------------|------------------|------------------|
| | | | | | | | Restated |
| 6. RECEIVABLES FROM EXCHANGE TRANSACTIONS (continued) | | | | | | | |
| FNB Account | | EPWP | - | - | 972 | - | 972 |
| | - | 62414349763 | | | | | |
| FNB Account | | FMG | - | - | 1,752 | - | 1,752 |
| | - | -62414358912 | | | | | |
| FNB Account | Business | Call | - | - | 6,878 | - | 6,878 |
| | - | 62606330463 | | | | | |
| FNB Account- | Petrol | Card | 20,423 | - | - | 20,423 | - |
| | | | | | | | |
| Total | | | 1,311,774 | 1,503,665 | 1,265,816 | 1,311,774 | 1,503,665 |
| | | | | | | | 1,265,816 |

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Annual Financial Statements for the year ended 30 June 2019

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| | 30 June 2019 | 30 June 2018 | Restated |
|--|-----------------|-----------------|----------|
| | | | |

9. INTANGIBLE ASSETS

| | 2019 | | 2018 | | | |
|-------------------|---------------------|---|---------------------|---|-------------|---------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Cost / Valuation | Accumulated depreciation and accumulated impairment | | |
| Intangible Assets | 2,748,836 | (2,077,516) | 671,320 | 2,701,180 | (1,826,134) | 875,046 |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 30 June 2019 | 30 June 2018 | Restated |
|--|-----------------|-----------------|----------|
| | | | |

9. INTANGIBLE ASSETS (continued)

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2019

| | Opening balance | Additions | Amortization | Total |
|-------------------|--------------------|-----------|--------------|---------|
| Computer Software | 875,046 | 47,656 | (251,382) | 671,320 |

RECONCILIATION OF INTANGIBLE ASSETS - 30 JUNE 2018

| | Opening balance | Additions | Amortization | Prior period error | Total |
|-------------------|--------------------|-----------|--------------|-----------------------|---------|
| Computer Software | 1,248,448 | 92,460 | (470,057) | 4,195 | 875,046 |

The municipality amortises all its intangible assets and none of these are regarded as having indefinite useful lives. The useful lives of the intangible assets remain unchanged from the previous year.

10. INVESTMENT PROPERTY

| | 2019 | | 2018 | |
|---------------------|---------------------|---|----------------|---------------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation |
| Investment property | 26,673,500 | - | 26,673,500 | 28,094,865 |

RECONCILIATION OF INVESTMENT PROPERTY - 2019

| | Opening balance | Fair value adjustments | Total |
|---------------------|--------------------|---------------------------|------------|
| Investment property | 28,094,865 | (1,421,365) | 26,673,500 |

RECONCILIATION OF INVESTMENT PROPERTY - 2018

| | Opening balance | Fair value adjustments | Total |
|---------------------|--------------------|---------------------------|------------|
| Investment property | 21,935,500 | 6,159,365 | 28,094,865 |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 30 June 2019 | 30 June 2018 | Restated |
|--|-----------------|-----------------|----------|
| | | | |

10. INVESTMENT PROPERTY (continued)

DETAILS OF PROPERTY

ERF 2220 PEDDIE-LAND EXTENT 2824 HQ

Land is leased to Engen Petroleum

| | | |
|-------------------|-----------|-----------|
| Cost at valuation | 1,368,628 | 2,888,000 |
|-------------------|-----------|-----------|

ERF 447 HAMBURG-LAND EXTENT 2824 HQ

Portion of the Caravan Park Leased to Mrs Dorego

| | | |
|---------------------|-----------|-----------|
| - Cost at valuation | 2,784,000 | 2,050,000 |
|---------------------|-----------|-----------|

ERF 314-LAND EXTENT 989 SQUARE

- Cost at valuation

| | | |
|---------------------|---------|--------|
| - Cost at valuation | 317,616 | 50,000 |
|---------------------|---------|--------|

ERF 1836 - LAND EXTENT 488 SQUARE METERS

Leased to IEC

| | | |
|---------------------|-------|-------|
| - Cost at valuation | 6,392 | 6,700 |
|---------------------|-------|-------|

OTHER INVESTMENT LAND OWNED BY THE MUNICIPALITY

| | | |
|---------------------|------------|------------|
| - Cost at valuation | 22,196,864 | 23,100,165 |
|---------------------|------------|------------|

A valuation of the investment Property was carried out by an independent valuer (Mhlaba Valuers) and the values of the properties were adjusted to their fair market values at year end. The valuation, which conforms to international standards, was arrived at by reference to market evidence of transaction prices for similar properties. The properties were generating an average monthly income of R32 543 (June 2018: R11 142).

11. PROPERTY, PLANT AND EQUIPMENT

| | 2019 | | 2018 | | | |
|---------------------|---------------------|---|----------------|---------------------|---|----------------|
| | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value | Cost / Valuation | Accumulated depreciation and accumulated impairment | Carrying value |
| Land | 38,188,205 | - | 38,188,205 | 38,188,205 | - | 38,188,205 |
| Buildings | 147,402,610 | (37,375,997) | 110,026,613 | 137,844,203 | (33,331,646) | 104,512,557 |
| Plant and Equipment | 8,294,553 | (5,215,930) | 3,078,623 | 8,122,553 | (4,577,236) | 3,545,317 |
| Office Furniture | 1,705,643 | (1,467,845) | 237,798 | 1,653,483 | (1,414,432) | 239,051 |
| Motor Vehicles | 8,604,906 | (3,900,584) | 4,704,322 | 8,258,739 | (4,056,298) | 4,202,441 |
| Office Equipment | 1,727,396 | (1,288,804) | 438,592 | 1,603,863 | (1,101,682) | 502,181 |
| IT Equipment | 2,953,847 | (2,157,369) | 796,478 | 2,606,485 | (1,701,314) | 905,171 |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | | | | 30 June 2019 | 30 June 2018 | |
|--|--------------------|----------------------|--------------------|--------------------|----------------------|--------------------|
| | | | | | | Restated |
| <hr/> | | | | | | |
| 10. INVESTMENT PROPERTY (continued) | | | | | | |
| Infrastructure | 183,216,914 | (104,280,683) | 78,936,231 | 152,076,842 | (90,707,278) | 61,369,564 |
| Maintenance Equipment | 433,801 | (276,478) | 157,323 | 433,801 | (243,363) | 190,438 |
| Security Equipment | 736,372 | (517,857) | 218,515 | 736,372 | (445,796) | 290,576 |
| Other Equipment | 493,987 | (305,378) | 188,609 | 493,987 | (232,722) | 261,265 |
| Capital Works in Progress | 14,587,334 | - | 14,587,334 | 18,729,034 | - | 18,729,034 |
| Park Facilities | 13,152,970 | (3,133,229) | 10,019,741 | 13,152,970 | (2,653,381) | 10,499,589 |
| Minor Equipment | 1,890,933 | (1,890,933) | - | 1,866,687 | (1,866,686) | 1 |
| Total | 423,389,471 | (161,811,087) | 261,578,384 | 385,767,224 | (142,331,834) | 243,435,390 |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

Figures in Rand

11. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2019

| | Opening balance | Additions | Disposals | Transfers | Depreciation | Total |
|---------------------------|--------------------|-------------------|------------------|--------------|-----------------------|--------------------|
| Land | 38,188,205 | - | - | - | - | 38,188,205 |
| Buildings | 104,512,529 | - | - | 9,558,408 | (4,044,351) | 110,026,613 |
| Plant and Equipment | 3,545,317 | 172,000 | - | - | (638,694) | 3,078,623 |
| Office Furniture | 239,051 | 52,160 | - | - | (53,413) | 237,798 |
| Motor Vehicles | 4,202,441 | 1,412,109 | (304,620) | - | (605,608) | 4,704,322 |
| Office Equipment | 502,140 | 123,534 | - | - | (187,122) | 438,592 |
| IT Equipment | 905,171 | 416,641 | (26,588) | - | (498,746) | 796,478 |
| Infrastructure | 61,369,535 | 48,500 | (38,579) | 31,515,428 | (13,958,751) | 78,936,231 |
| Maintenance Equipment | 190,531 | - | - | - | (33,115) | 157,323 |
| Security Equipment | 290,576 | - | - | - | (72,060) | 218,515 |
| Other Equipment | 261,264 | - | - | - | (72,655) | 188,609 |
| Capital Works in Progress | 15,338,126 | 40,319,888 | - | (41,073,836) | - | 14,587,334 |
| Park Facilities | 10,499,589 | - | - | - | (479,848) | 10,019,741 |
| Minor Assets | 1 | 24,246 | - | - | (24,246) | - |
| | 240,044,476 | 42,569,078 | (369,787) | | - (20,668,609) | 261,578,384 |

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11. PROPERTY, PLANT AND EQUIPMENT (continued)

RECONCILIATION OF PROPERTY, PLANT AND EQUIPMENT - 2018

| | Opening balance | Additions through transfer of functions / mergers | Disposals | Transfers received | Depreciation | Impairment loss | Prior period error Adjustment | Total |
|---------------------------|--------------------|---|---------------------|--------------------|---------------------|---------------------|-------------------------------|--------------------|
| Land | 38,188,205 | - | - | - | - | - | - | 38,188,205 |
| Buildings | 63,565,157 | 57,000,000 | - | 5,156,742 | (3,794,424) | (14,881,096) | (2,533,849) | 104,512,557 |
| Plant and Equipment | 13,830,187 | - | (9,656,791) | - | - | (622,152) | (5,927) | 3,545,317 |
| Office Furniture | 148,061 | 130,847 | - | - | (39,857) | - | - | 239,051 |
| Motor Vehicles | 5,066,513 | 719,814 | (649,000) | - | (1,087,634) | - | 152,748 | 4,202,441 |
| Office Equipment | 670,767 | 14,600 | (4,182) | - | (179,004) | - | - | 502,181 |
| IT Equipment | 710,747 | 493,076 | (67,685) | - | (284,908) | - | 53,941 | 905,171 |
| Infrastructure | 54,007,543 | - | - | 15,040,141 | (11,281,536) | - | 3,603,415 | 61,369,564 |
| Maintenance Equipment | 223,555 | - | - | - | (33,117) | - | - | 190,438 |
| Security Equipment | 204,476 | 118,601 | (64,822) | 89,370 | (57,049) | - | - | 290,576 |
| Other Equipment | 373,960 | - | - | - | (80,972) | - | (31,723) | 261,265 |
| Capital Works in Progress | 12,035,158 | 38,334,645 | - | (20,291,748) | - | - | (11,349,041) | 18,729,034 |
| Park Facilities | 10,892,763 | 86,675 | - | - | (479,849) | - | - | 10,499,589 |
| Minor Equipment | - | 171,614 | - | 5,495 | (177,108) | - | - | 1 |
| TOTAL | 199,917,092 | 97,069,872 | (10,442,480) | | (17,495,458) | (15,503,248) | (10,110,436) | 243,435,390 |

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|--|-----------------|-----------------|----------|
| | | | Restated |

12. HERITAGE ASSETS

| | 2019 | | | 2018 | | |
|----------------------|---------------------|-------------------------------------|----------------|---------------------|-------------------------------------|----------------|
| | Cost / Valuation | Accumulated impairment losses | Carrying value | Cost / Valuation | Accumulated impairment losses | Carrying value |
| Historical Monuments | 3 | - | 3 | 3 | - | 3 |

RECONCILIATION OF HERITAGE ASSETS - 2019

| | Opening balance | Total |
|----------------------|--------------------|-------|
| Historical Monuments | 3 | 3 |

RECONCILIATION OF HERITAGE ASSETS - 2018

| | Opening balance | Total |
|---|--------------------|-------|
| Collections of insects, butterflies and fossils | - | - |
| Historical Monuments | 3 | 3 |
| | 3 | 3 |

HERITAGE ASSETS

All the municipality's heritage assets are held under a freehold interest and no heritage asset have been pledged as security for any liabilities of the municipality. The heritage assets comprise of the Dick King Memorial Site, a Fingo Milkwood Tree and Fort Pedié Tower Complex.

These are not income generating assets and shown on the face of the statement of financial position at a nominal value of R1 each.

No impairment losses have been recognised on the heritage assets of the municipality at the reporting date.

These heritage assets have not been revalued due to their fair value not being easily and reliably measured due to the lack of a market for these assets.

13. PAYABLES FROM EXCHANGE TRANSACTIONS

| | | |
|-------------------|------------|------------|
| Trade Payables | 12,355,112 | 12,447,643 |
| Accrued Leave Pay | 3,639,117 | 3,160,941 |
| Accrued Bonus | 1,397,276 | 1,293,411 |

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| | | | Restated |
| Retentions | 3,146,298 | 2,691,210 | |
| | 20,537,803 | 19,593,205 | |

Included in current year trade payables is a balance for Amathole District Municipality (ADM) amounting to R8 264 656 (2018: R7 131 576).

14. PAYABLES FROM NON-EXCHANGE TRANSACTIONS

| | | |
|---|----------------|----------------|
| Receivables with Credit Balances | 353,456 | 221,866 |
| Staff creditor for unpaid travel and cellphone allowances | 361,507 | 359,327 |
| | 714,963 | 581,193 |

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|-----------------|-----------------|

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14. PAYABLES FROM NON-EXCHANGE TRANSACTIONS (continued)

All receivables with credit balances have been reallocated to Payables from Non-Exchange Transactions to achieve fair presentation.

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| | | | |

15. PROVISIONS

RECONCILIATION OF PROVISIONS - 2019

| | Opening Balance | Change in discount factor | Total |
|--|--------------------|---------------------------------|-------------------|
| Provision for Rehabilitation of Landfill Sites | 9,581,070 | 666,534 | 10,247,604 |
| Provision for Long Service Awards | 3,225,000 | 356,716 | 3,581,716 |
| | 12,806,070 | 1,023,250 | 13,829,320 |

RECONCILIATION OF PROVISIONS - 2018

| | Opening Balance | Utilised during the year | Change in discount factor | Total |
|--|--------------------|--------------------------------|---------------------------------|-------------------|
| Provision for Rehabilitation of Landfill Sites | 9,335,356 | (513,923) | 759,637 | 9,581,070 |
| Provisions for Long Service Awards | 3,003,000 | - | 222,000 | 3,225,000 |
| | 12,338,356 | (513,923) | 981,637 | 12,806,070 |

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| | | | |

15. PROVISIONS (continued)

REHABILITATION OF LANDFILL SITES PROVISION

The Provision for Rehabilitation of Landfill Sites relates to the legal obligation to rehabilitate landfill sites used for waste disposal. It is calculated as the present value of the future obligation. The amount for the provision was adjusted retrospectively in accordance with the report produced by qualified engineers specialising in Landfill Sites valuations.

LONG SERVICE AWARD PROVISION

The Long Service Award is payable after every 5, 10, 15, 20, 25, 30, 35, 40 and 45 years of continuous service. The provision is an estimate of the amounts likely to be paid based on an actuarial valuation performed at the reporting date. The actuarial valuation of the long service awards accrued liability was carried out by Arch Actuarial Consulting. The assumptions used in the valuation are outlined below:

Key Assumptions:

1. Salary increase rate of CPI+1%.
2. The mortality rate of SA 85 - 90.
3. Normal retirement age of 65 years.
4. The discount rate used was yield curve as at 30 June 2019 as supplied by the Johannesburg Stock Exchange.

16. SERVICE CHARGES

| | | |
|----------------|---------|---------|
| Refuse Removal | 805,722 | 758,857 |
|----------------|---------|---------|

17. RENTAL OF FACILITIES AND EQUIPMENT

FUEL STATION AND CARAVAN PARK

| | | |
|-----------------|---------|---------|
| Various Rentals | 157,176 | 151,130 |
|-----------------|---------|---------|

FACILITIES AND EQUIPMENT

| | | |
|------------|----------------|----------------|
| Billboards | 5,203 | 4,852 |
| | 162,379 | 155,982 |

Some of the offices were not occupied during the year ended 30 June 2019.

At the end of the financial year, the properties were generating an average monthly income of R32 543 (2018: R11 142).

18. AGENCY FEES

| | | |
|-------------------|---------|---------|
| eNATIS Commission | 391,981 | 309,521 |
|-------------------|---------|---------|

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| Restated | | |
| 15. PROVISIONS (continued) | | |
| 19. LICENCES AND PERMITS | | |
| Drivers License | 1,656,522 | 1,607,027 |
| Learners License | 99,835 | 108,446 |
| | 1,756,357 | 1,715,473 |

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| | | Restated |
| <hr/> | | |
| 20. OTHER REVENUE | | |
| Movement in Landfill Site provision | 26,225 | 513,923 |
| Tender Fees | 182,392 | - |
| Sundry Income | 780,229 | 889,837 |
| Building Plan Fees | 57,891 | 68,104 |
| Insurance Claim for loss of Property, Plant and Equipment | 38,652 | 323,003 |
| Commission | 88,836 | 69,717 |
| | 1,174,225 | 1,864,584 |
| Sundry Income includes income from Cemetery&Burial R2197.39 | | |
| 21. INTEREST EARNED - OUTSTANDING DEBTORS | | |
| Interest earned on Outstanding Debtors | 2,085,764 | 1,985,149 |
| <hr/> | | |
| 22. INTEREST FROM INVESTMENTS | | |
| Interest from Investments | 1,211,707 | 754,119 |
| Interest from SARS | - | 1,029 |
| | 1,211,707 | 755,148 |
| <hr/> | | |
| 23. PROPERTY RATES | | |
| Gross Property Rates | 31,705,542 | 26,375,607 |
| Less: Rebates | (465,424) | (1,295,052) |
| | 31,240,118 | 25,080,555 |
| <hr/> | | |
| VALUATIONS | | |
| Residential | 334,119,304 | 344,707,304 |
| Commercial | 139,491,888 | 139,476,888 |
| Government | 675,752,788 | 571,034,890 |
| Municipal | 74,002,307 | 84,049,307 |
| Farms agricultural | 85,104,301 | 85,104,301 |
| Place Of Worship | 2,396,000 | 2,396,000 |
| Vacant Land | 117,452,584 | 105,918,284 |
| Game Hunting | 6,300,000 | 6,300,000 |
| Other | 8,586,329 | 16,027 |
| | 1,443,205,501 | 1,339,003,001 |

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Valuations on land and buildings within the boundaries of the municipality are performed every 5 years. The last general valuation came into effect on 1 July 2014. Supplementary valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The Municipality was due to perform its annual General Valuation at the expiry of the 5 year cycle in 2018 however, the municipality obtained an extension for the new General Valuation implementation till the 01 July 2019 wherein the General Valuation will be adopted.

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|--|-----------------|-----------------|----------|
| | | | |

24. GOVERNMENT GRANTS

| | | | |
|---|--------------------|--------------------|--|
| Equitable Share | 75,488,000 | 73,615,000 | |
| Expanded Public Works Programme | 1,480,000 | 1,531,000 | |
| Municipal Infrastructure Grant | 32,922,000 | 31,833,000 | |
| Financial Management Grant | 2,415,000 | 2,345,000 | |
| Integrated National Electrification Programme | 6,439,784 | 3,899,544 | |
| | 118,744,784 | 113,223,544 | |

CONDITIONAL AND UNCONDITIONAL GRANTS

Included in above are the following grants and subsidies received:

| | | | |
|-------------------------------|--------------------|--------------------|--|
| Conditional grants received | 43,256,784 | 39,608,544 | |
| Unconditional grants received | <u>75,488,000</u> | <u>73,615,000</u> | |
| | 118,744,784 | 113,223,544 | |

EQUITABLE SHARE

In terms section 227 of the Constitution, this grant is used to enable the municipality to provide basic services and perform functions allocated to it.

The Equitable Share Grant also provides funding for the municipality to deliver free basic services to poor households and to subsidise the cost of administration and other core services for the municipality.

EXPANDED PUBLIC WORKS PROGRAMME

| | | | |
|---|-------------|-------------|--|
| Current-year receipts | 1,480,000 | 1,531,000 | |
| Conditions met - transferred to revenue | (1,480,000) | (1,531,000) | |
| | - | - | |

The grant was received from National Roads and Public Works.

The grant was used for stipends for unemployed youths.

MUNICIPAL INFRASTRUCTURE GRANT

| | | | |
|---|--------------|--------------|--|
| Current-year receipts | 32,922,000 | 31,833,000 | |
| Conditions met - transferred to revenue | (32,922,000) | (31,833,000) | |
| | - | - | |

The grant was received from National Treasury.

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The grant was used for construction of community halls and extension of access roads.

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|--|-----------------|-----------------|----------|
| | | | |

24. GOVERNMENT GRANTS (continued)

FINANCIAL MANAGEMENT GRANT

| | | | |
|---|-------------|-------------|--|
| Current-year receipts | 2,415,000 | 2,345,000 | |
| Conditions met - transferred to revenue | (2,415,000) | (2,345,000) | |
| | - | - | |

The grant was received from National Treasury.

This grant was used to pay stipends for Financial Management Interns and Budget and Treasury Office related expenditure.

INEP GRANT

| | | | |
|---|-------------|-------------|--|
| Current-year receipts | 6,439,784 | 3,899,544 | |
| Conditions met - transferred to revenue | (6,439,784) | (3,899,544) | |
| | - | - | |

The grant was received from Eskom (see note)
The grant was used to electrify Peddie villages.

25. FINES AND PENALTIES

| | | | |
|--------------------------------------|-----------|---------|--|
| Traffic fines issued during the year | 1,154,950 | 449,700 | |
| | - | - | |

26. OTHER TRANSFER REVENUE

| | | | |
|---|-----------|------------|--|
| Donation of assets from Amathole District Municipality. | - | 57,100,981 | |
| Library Subsidy | 400,000 | 350,000 | |
| LG Seta transfer | 211,404 | 90,418 | |
| CETA | 7,524,910 | - | |
| | 8,136,314 | 57,541,399 | |

Donations Income comprises of assets donated by the ADM to the municipality in the prior year. The donated assets were valued to their fair market values and recognised at fair value in the financial statements of the municipality. The assets have been included in the property, plant and equipment balance. An amount of R211 404 from Seta is Grant in kind.

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| | | | |

27. EMPLOYEE RELATED COSTS

| | | |
|-----------------------------|-------------------|-------------------|
| Basic Salaries | 47,722,549 | 41,313,250 |
| Annual Bonus (13th Cheques) | 3,224,849 | 3,007,711 |
| UIF | 357,827 | 327,874 |
| SDL | 541,838 | 467,486 |
| SALGBC Levies | 22,631 | 19,619 |
| Redemption of Leave | 1,630,813 | 1,656,802 |
| Cellphone Allowance | 361,716 | 281,303 |
| Shift Allowance | 268,444 | 250,509 |
| Overtime | 495,641 | 324,429 |
| Housing Allowances | 122,873 | 166,277 |
| Medical Aid Contributions | 2,693,606 | 2,396,885 |
| Pension Fund Contributions | 6,626,900 | 6,055,734 |
| Long Service Bonus | 534,082 | 406,742 |
| Subsistence and Travel | 3,101,135 | 2,405,756 |
| | 67,704,904 | 59,080,377 |

The amounts below have been included in the above note:

REMUNERATION OF MUNICIPAL MANAGER

| | | |
|---------------------|------------------|------------------|
| Annual Remuneration | 1,051,117 | 714,959 |
| Backpay | 22,030 | 23,141 |
| SDL | 11,497 | 7,773 |
| UIF | 1,785 | 1,338 |
| Travel expenses | 294,414 | 231,409 |
| Term leave | - | 201,479 |
| | 1,380,843 | 1,180,099 |

The amounts below have been included in the above note:

Included are Basic Salaries, Medical Aid all, Provident fund Allowance.

REMUNERATION OF CHIEF FINANCE OFFICER

| | | |
|--------------------------|------------------|------------------|
| Annual Remuneration | 671,386 | 635,092 |
| Travel expenses | 224,988 | 209,950 |
| SDL | 10,711 | 10,256 |
| UIF | 1,785 | 1,785 |
| Cellphone allowance | 44,055 | 40,545 |
| Backpay | 18,359 | 21,427 |
| Nonpensionable allowance | 179,865 | 172,900 |
| Bargaining levy | 105 | 99 |
| | 1,151,254 | 1,092,054 |

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| | | Restated |

27. EMPLOYEE RELATED COSTS (continued)

REMUNERATION OF EXECUTIVE MANAGER: CORPORATE SERVICES

| | | |
|---------------------|----------------|----------------|
| Annual Remuneration | 783,331 | 618,135 |
| Backpay | 13,832 | 10,285 |
| Travel expenses | 111,871 | 107,382 |
| SDL | 7,236 | 7,903 |
| UIF | 1,785 | 1,338 |
| Bargaining levy | 105 | 66 |
| Term leave | - | 189,846 |
| | 918,160 | 934,955 |

Included are Basic Salaries, Medical Aid, Provident Fund Allowance & Annual leave sold.

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| | | | |

27. EMPLOYEE RELATED COSTS (continued)

REMUNERATION OF EXECUTIVE MANAGER: TECHNICAL SERVICES

| | | |
|---------------------|----------------|----------------|
| Annual Remuneration | 576,660 | 491,158 |
| Backpay | 13,832 | - |
| Travel expenses | 192,169 | 115,997 |
| SDL | 7,324 | 6,609 |
| UIF | 1,645 | 1,041 |
| Cellphone allowance | - | 22,849 |
| Bargaining levy | - | 33 |
| Term leave | - | 148,079 |
| | 791,630 | 785,766 |

REMUNERATION OF EXECUTIVE MANAGER: COMMUNITY SERVICES

| | | |
|---------------------|------------------|----------------|
| Annual Remuneration | 894,753 | 426,096 |
| Travel expenses | 155,805 | 51,424 |
| SDL | 10,680 | 2,985 |
| UIF | 1,785 | 595 |
| Bargaining levy | 105 | 8 |
| Backpay | 18,359 | - |
| Medical aid | <u>32,712</u> | <u>13,965</u> |
| | 1,114,199 | 495,073 |

28. REMUNERATION OF COUNCILLORS

| | | |
|-------------------|-------------------|------------------|
| Mayor | 865,220 | 832,829 |
| Speaker | 714,384 | 687,010 |
| Chief Whip | <u>412,045</u> | <u>380,707</u> |
| MPAC Chair | 387,102 | 370,847 |
| Exco | 1,224,227 | 1,142,120 |
| Other Councillors | <u>6,463,682</u> | <u>6,107,653</u> |
| | 10,066,660 | 9,521,166 |

The Remuneration of Councillors is based on the upper limit as per the Government Gazette.

The Mayor and the Speaker each have the use of separate Council owned vehicles and are provided with an office and secretarial support at the cost of the Council for official duties. The Mayor has a designated driver for the official duties.

There were no in-kind benefits declared nor received by other Councillors.

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| 27. EMPLOYEE RELATED COSTS (continued) | | |
| 29. DEPRECIATION AND AMORTISATION | | |
| Property, plant and equipment | 20,668,611 | 18,128,069 |
| Intangible Assets | 251,383 | 465,287 |
| | 20,919,994 | 18,593,356 |

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| | | | |

30. IMPAIRMENT OF ASSETS

IMPAIRMENTS

During the prior year, items of property, plant and equipment and investment property were impaired due to loss, damage or reduction in value.

- 14,881,096

31. FINANCE COSTS

| | | |
|--|----------------|----------------|
| Interest on late Payment of Suppliers | 95,545 | 129,609 |
| Finance costs on Landfill Site Provision | 692,759 | 759,637 |
| | 788,304 | 889,246 |

32. DEBT IMPAIRMENT

| | | |
|-----------------|------------------|----------------|
| Debt Impairment | <u>(399,151)</u> | <u>545,461</u> |
|-----------------|------------------|----------------|

Debt impairment is an assessment of the amounts that will not be recovered from the debtors, based on the municipality's policy. In the current year the debt impairment provision decreased by R399 151.

33. CONTRACTED SERVICES

| | | |
|-------------------------------|-------------------|-------------------|
| Repairs and maintenance - PPE | 3,340,514 | 3,125,094 |
| Other contracted services | 7,905,712 | 15,128,975 |
| | 11,246,226 | 18,254,069 |

As per Grap 17 (Paragraph 88), repairs and maintenace amount of R3 340 514 relates to repairs to property plant and equipment.

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| <hr/> | | | |
| 34. OTHER EXPENDITURE | | | |
| Accommodation Expenses | 1,923,434 | 2,051,330 | |
| Advertising | 428,928 | 622,196 | |
| Agriculture | 41,696 | 173,000 | |
| Audit Fees | 3,758,508 | 2,859,818 | |
| Bank Charges | 66,111 | 162,819 | |
| Catering | 629,037 | 560,908 | |
| Computer Expenses | 206,771 | 62,082 | |
| Conferences and Seminars | 156,745 | 201,281 | |
| Consumables | 162,217 | 40,657 | |
| Electricity | 2,832,435 | 2,596,255 | |
| Employee Assistance Programme | 9,670 | 28,801 | |
| Financial Management Enhancement | 1,121,762 | 2,102,536 | |
| Fines and penalties | 9,299 | 13,500 | |
| Fuel and Oil | 1,514,059 | 1,931,849 | |
| IDP Reviewal | 57,600 | 58,896 | |
| Learnerships and interns | 8,652,704 | 1,530,813 | |
| Legal Expenses | 1,438,037 | 2,403,198 | |
| Life Saver Hire | 47,181 | 386,310 | |
| Miscellaneous Expenses | 3,326,116 | 4,497,259 | |
| Printing and Stationery | 291,462 | 315,771 | |
| Programmes | 1,997 | 18,037 | |
| Public Participation | - | (3,821) | |
| Refuse | 308,154 | 252,000 | |
| Royalties and License Fees | 980,441 | 772,347 | |
| Special Programmes Unit | 732,030 | 963,123 | |
| Subscriptions and Membership Fees | 741,678 | 626,480 | |
| Telephone | 1,705,944 | 729,723 | |
| Tourism Development | 1,200 | 20,000 | |
| Training | 933,818 | 947,643 | |
| Uniforms | 229,764 | 269,805 | |
| Water Municipal Use | 2,775,780 | 1,571,992 | |
| | 35,084,578 | 28,766,608 | |

Included in miscellaneous expenses are, among others, Own Transport R476 483.22, Audio visuals R2 658 692.40.

35. LOSS/(GAIN) ON DISPOSAL AND REVALUATION OF ASSETS

| | | |
|---|-----------|-----------|
| Loss/(gain) on disposal/Revaluation of assets | 1,619,762 | 5,765,455 |
| <hr/> | | |

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NOTES TO THE ANNUAL FINANCIAL STATEMENTS

| | 30 June 2019 | 30 June 2018 | Restated |
|---|-------------------|-------------------|----------|
| <hr/> | | | |
| 36. CASH FLOWS FROM OPERATING ACTIVITIES | | | |
| Surplus for the year | 19,833,025 | 47,679,460 | |
| ADJUSTMENTS FOR: | | | |
| Depreciation and Amortisation | 20,919,994 | 18,593,357 | |
| Impairment Loss on Assets | - | 14,881,096 | |
| Change in land fill closure provision | - | (513,923) | |
| Debt Impairment | (399,151) | 545,461 | |
| Interest cost, land fill site | - | 759,637 | |
| Gain on Disposal/Revaluation on Assets | (1,619,762) | (5,765,455) | |
| Provisions-Provision for rehabilitation of landfill sites | (26,225) | 245,714 | |
| Provision for long service awards | 356,716 | 222,000 | |
| Accrued Bonus- Increase | 103,866 | (53,556) | |
| Accrued Leave Pay | 478,177 | 349,512 | |
| Other non-cash movements | (4,100,630) | 9,644,674 | |
| Interest on Landfill Site provision | 692,759 | - | |
| Provision for Landfill Site | 666,534 | - | |
| Donation of assets from ADM | - | (57,100,981) | |
| CHANGES IN WORKING CAPITAL: | | | |
| VAT Receivable | 1,008,276 | 358,775 | |
| Receivables from Exchange Transactions | (1,538,724) | 1,474,975 | |
| Receivables from Non-Exchange Transactions | (4,324,160) | 8,736,610 | |
| Operating Lease Asset | 85,948 | 1,698 | |
| Payables from exchange transactions | 944,599 | (3,134,798) | |
| Payables from Non-Exchange Transactions | 133,770 | (115,372) | |
| Unspent conditional grants and receipts | - | (899,545) | |
| | 33,215,012 | 35,909,339 | |

37. COMMITMENTS

AUTHORISED CAPITAL EXPENDITURE

ALREADY CONTRACTED FOR BUT NOT PROVIDED FOR

| | | |
|---------------------------------|------------|------------|
| • Property, plant and equipment | 10,525,228 | 18,402,234 |
|---------------------------------|------------|------------|

This committed expenditure relates to property, plant and equipment and will be financed through the Municipal Grants, existing cash resources and funds internally generated.

38. PRIOR-YEAR ADJUSTMENTS

Presented below are those items contained in the statement of financial position, statement of financial performance and cash flow statement that have been affected by prior-year adjustments:

VAT RECEIVABLES: This was a journal that was passed in adjusting vat input and output that was made in the prior year.

RECEIVABLES FROM NON-EXCHANGE TRANSACTIONS: This was a journal processed to make adjustments on payment in advance made to Khayalihle in the prior year.

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INTANGIBLE ASSETS: This was a journal processsed to reverse an overstated amortisation in the prior year.

INVESTMENT PROPERTY: This was a journal processsed to make an adjustment of ERF 314 investment property in the prior year.

PROPERTY, PLANT AND EQUIPMENT: This was a journal made to adjust for depreciation that was made in the prior year, a correction of an advance payment made to Khayelihle suppliers. Adjusting journal made to the PPE to adjust the prior year.

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38. PRIOR-YEAR ADJUSTMENTS (continued)

PAYABLES FROM EXCHANGE TRANSACTIONS: This was a journal processed to make correction on SALGA invoice and Seartec (Service provider) invoices that were not recorded in the prior year.

OTHER REVENUE: Recording proceeds received from the insurance company which was not recorded in the general ledger, as the supporting documentation for this proceeds was received after the finalization of the prior year financial statements and reallocation of INEP for prior year.

GOVERNMENT GRANTS: This was to correct an error made on amount for INEP grant that was included in the prior year.

EMPLOYEE COSTS: This was a journal made for the reclassification of daily allowance from expenditure to Employee related costs and a journal that was processed for recognition of prior year performance bonus..

DEPRECIATION & AMORTISATION: This was a journal processed to make adjustment on depreciation amount.

FINANCE COSTS: This was an adjusting journal of interest on late payment of suppliers

CONTRACTED SERVICES: This was a reclassification of other expenditure from contracted services in the prior year.

OTHER EXPENDITURE: This was a journal processed to make adjustments for SALGA and Saartec (Service Provider) invoices that were not recorded in the prior year. Adjustment made for reclassification from Contracted services and to Employee costs .

LOSS ON DISPOSAL: This was an adjustment made to the disposal of assets in the prior year and those assets that the municipality no longer had in possession and use.

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| | | | Restated |

38. PRIOR-YEAR ADJUSTMENTS (continued)

STATEMENT OF FINANCIAL POSITION

2019

| | Note | As previously reported | Correction of error | Restated |
|--|------|---------------------------|------------------------|---------------------|
| Current Assets | | | | |
| Vat receivables | 7 | 2,796,369 | 771,983 | 3,568,352 |
| Receivables from non-exchange transactions | 6 | 10,691,930 | (410,000) | 10,281,930 |
| | | - | - | - |
| | | 13,488,299 | 361,983 | 13,850,282 |
| Non-current Assets | | | | |
| Intangible Assets | 9 | 870,853 | 4,193 | 875,046 |
| Investment property | 10 | 28,003,465 | 91,400 | 28,094,865 |
| Property, plant and equipment | 11 | 250,154,922 | (6,722,532) | 243,432,390 |
| | | <u>279,029,239</u> | <u>(6,626,939)</u> | <u>272,402,301</u> |
| Total Assets | | <u>292,517,538</u> | <u>(6,264,956)</u> | <u>286,252,583</u> |
| Liabilities | | | | |
| Current Liabilities | | | | |
| Payables from Exchange Transactions | 13 | (19,460,457) | (132,748) | (19,593,205) |
| | | <u>(19,460,457)</u> | <u>(132,748)</u> | <u>(19,593,205)</u> |
| Net Assets | | <u>273,057,081</u> | <u>(6,397,704)</u> | <u>266,659,378</u> |

STATEMENT OF FINANCIAL PERFORMANCE

2019

| | Note | As previously reported | Correction of error | Re- classification | Restated |
|---|------|---------------------------|------------------------|-----------------------|----------------------|
| Revenue | | | | | |
| Revenue from exchange transactions | | | | | |
| Other revenue | 20 | 1,077,629 | 923,337 | - | 2,000,966 |
| Total revenue | | 1,077,629 | 923,337 | - | 2,000,966 |
| Expenditure | | | | | |
| Employee related cost | 27 | (58,806,422) | (273,955) | 106,295 | (59,080,377) |
| Depreciation and Amortisation | 26 | (18,577,276) | (16,080) | - | (18,593,356) |
| Finance costs | | (886,155) | (3,091) | - | (889,246) |
| Contracted services | 33 | (18,253,831) | (238) | - | (18,254,069) |
| Other expenditure | 34 | (28,239,356) | (527,252) | 106,295 | (28,766,608) |
| Total expenditure | | (124,763,040) | (820,616) | 212,590 | (125,583,656) |
| Loss on disposal/revaluation of assets | | 3,538,258 | (9,303,713) | - | (5,765,455) |
| Surplus for the year | | (120,147,153) | (9,200,992) | - | (129,348,145) |

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39. RISK MANAGEMENT

LIQUIDITY RISK

Liquidity risk is the risk that the municipality will not be able to meet its obligations as they fall due. The municipality's approach to managing the liquidity risk is to ensure that sufficient liquidity is available to meet its liabilities when they fall due, without incurring unacceptable losses or risking damage to the municipality's reputation.

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities.

Cash flow forecasts are prepared and adequate utilised borrowing facilities are monitored.

Balances with banks, deposits and all call and current accounts attract interest at rates that vary with South African prime rate. The municipality's policy is to manage interest rate risk so that fluctuations in variable rates do not have a material impact on the surplus / deficit.

The municipality's income and operating cash flows are substantially independent of changes in market interest rates due to the short term nature of interest bearing assets.

Surplus funds are invested with banks for fixed terms on fixed interest rates not exceeding one year. For details refer to note 8.

Any change in interest rates will not have any impact on the accumulated surplus of the municipality.
At period end financial assets exposed to interest rate risk were as follows:

Cash and Cash Equivalents - R1 311 775 (2018: R1 503 665).

CREDIT RISK

Credit risk is the risk of financial loss to the municipality if customers or counterparties to financial instruments fail to meet their contractual obligations and arises principally from the municipality's receivables, and cash and cash equivalents. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counterparty. Receivables are amounts owing by consumers and are presented net of impairment losses.

Receivables comprise a widespread customer base. Management evaluated credit risk relating to these customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the group of customers, taking into account their financial position, past experience and other factors:

Financial instruments exposed to credit risk at year end were as follows:

| Financial instrument | 2019 | 2018 |
|--|------------|------------|
| Receivables from Exchange Transactions | 6,795,663 | 5,256,940 |
| Receivables from Non-Exchange Transactions | 14,606,091 | 10,281,930 |
| Cash and Cash Equivalents | 1,311,775 | 1,503,665 |
| Provisions | 13,829,320 | 12,806,070 |
| Payables from Exchange Transaction | 20,537,803 | 19,593,205 |
| Payables from Non-exchange Transaction | 714,963 | 581,193 |

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40. GOING CONCERN

We draw attention to the fact that at 30 June 2019, the municipality had an accumulated surplus of R279 778 915 and that the municipality's total liabilities did not exceed its assets.

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| | | Restated |

40. GOING CONCERN (continued)

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business.

41. EVENTS AFTER THE REPORTING DATE

In August 2019, after the year end but before the submission and approval of the AFS, councillor Ntombokolo Mpoli passed away on the 08 August 2019.

42. UNAUTHORISED EXPENDITURE

| | | |
|--|-------------------|-------------------|
| Opening balance as previously reported | 34,717,829 | 34,717,829 |
| Add: Unauthorised expenditure-Current year | 6,954,810 | - |
| | 41,672,639 | 34,717,829 |

Unauthorised expenditure is made out of depreciation refer to the Statement of Comparison of Budget and Actual Amounts.

43. FRUITLESS AND WASTEFUL EXPENDITURE

| | | |
|---|----------------|----------------|
| Opening balance as previously reported | 416,897 | 276,428 |
| Fruitless and wasteful expenditure for the Current year | 102,429 | 140,469 |
| | 519,326 | 416,897 |

44. IRREGULAR EXPENDITURE

| | | |
|---|--------------------|-------------------|
| Opening balance as previously reported | 97,342,978 | 53,439,937 |
| Add: Irregular Expenditure - current year | 23,369,342 | 43,903,041 |
| | 120,712,320 | 97,342,978 |

Details of irregular expenditure

Proper Supply Chain Management Processes were not followed in making the awards

23,369,342

43,903,041

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| | | | |

45. DEVIATION FROM SUPPLY CHAIN MANAGEMENT REGULATIONS

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the and includes a note to the annual financial statements.

Listed below are the various circumstances were goods and services were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the who considered them and subsequently approved the. deviation from the normal supply chain management regulations.

Incidents

| | | |
|--|------------------|------------------|
| Deviations due to Emergency procurement | 194,704 | 1,707,353 |
| Deviations due to Sole supplier procurement | 1,867,647 | 1,935,433 |
| Deviations due to Impractical of following SCM processes | 868,111 | 3,229,963 |
| Deviations due to Exceptional case procurement | 11,300 | - |
| | 2,941,762 | 6,872,749 |

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| | | | Restated |
| <hr/> | | | |
| 46. CONTINGENT LIABILITIES | | | |
| Contingencies arise from pending litigation on contractual disputes and damage claims. As the conclusion of the process is dependent on the setting of the dates by the respective courts, the timing of the economic outflow is therefore uncertain. | | | |
| Halana Motor vehicle damages no. HWN 50 EC collided with vehicle no.HLF 494 EC Pending investigation on merits | 26,380 | 56,380 | |
| Kwane (2017) Higher purchase agreement between NLM, Kwane and BLC Company. Contract to be declared invalid Discovery stages. Kwane filled notice for discovery. | - | 750,000 | |
| Kwane (2018) Kwane suing NLM for unlawful termination of contract Counsel is briefed to draw memorandum on the evidence and/merits. | 10,454,414 | 11,204,414 | |
| Nosizwe Madlingozi o.b.o Sesona Manyathi NLM being sued for negligence resulting in injury of Manyathi (Soccer match organized by independent association) Joinder application stage. Punitive cost order pending application | 4,700,000 | 5,050,000 | |
| Gwamu (EFF) Composition of EXCO in that it excludes the opposition parties Matter set down for hearing of the application on 14/08/2018 | 350,000 | 550,000 | |
| Aubrey May Civil matter : Illegal structures. Completion expected about 30 November 2017 Case is still being investigated | - | 50,000 | |
| Mr Allie Title Deeds to be obtained and registration of transfer to be effected in King William's Town Deeds Offices Pending application to demolish illegally erected structures | - | 50,000 | |
| Hamburg Caravan Park Civil matter : eviction of illegal occupiers as Hamburg Caravan Park is the property of Ngqushwa Local Municipality Pending application for eviction. | - | 100,000 | |
| Ntombentsa Doloni Dismissal or Reinstatement of employee Hearing was held on 2 August 2018 Pending decision by management re: settlement proposals between the parties | - | 88,162 | |
| Dlelanga Trading CC A claim by Dlelanga Trading CC based on a dispute for services rendered Case still pending | 595,872 | 595,872 | |
| Zukisa Jowela Plaintiff claim retrospective payment prior being sworn in as councillor | 828,774 | - | |
| | 16,955,440 | 18,494,828 | |

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CONTINGENT ASSETS

In 2014, the Municipality made payments to Senior Managers that were not in line with the Upper limits that were set out in the Local Government: Regulations on Appointment and Conditions of Employment of Senior Managers. During the financial statements preparation period, the Council resolved that the Senior Managers who were offered packages that were outside the referred Regulations repay the excess amounts paid. The packages not in line with regulations limits per the Resolutions amounted to R 2,698,397. According to legal advisors, it is probable that the proceedings will result in the recovery of the full amount but this recovery is virtually certain and is dependent on the acknowledgement of debt by the affected Senior Managers.

47. RELATED PARTIES

GRAP 20 requires a disclosure of related party transactions during the financial period of the financial statements as well as the nature of the related party relationship, the nature of the transactions and outstanding balances including commitments. However, those disclosures are not required for transactions which occurred in the normal course of business. The municipality did not have any transactions with its related parties that were not in the ordinary course of business. The municipality discloses the transactions of water provision by the ADM to the municipality in the ordinary course of business of both the municipality and ADM. Refer to Note 13 for the outstanding balances owed.

Further, the municipality is also required to disclose the remuneration of its management having the authority to direct the business of the municipality. Key management include the Mayor, Speaker, Mayoral Committee members, Councillors, Municipal Manager, Chief Financial Officer and the Directors. For the remuneration of the key management and Councillors refer to Note 27 and 28 respectively.

48. CHANGE IN ESTIMATE

PROPERTY, PLANT AND EQUIPMENT

As at 30 June 2019 management conducted an assessment, as a result of that reassessment the useful lives of the assets classified as infrastructure road asset that were fully depreciated but still in use from 7 years as previously reported to 10 years from the date of acquisition. This had the effect of increase of depreciation expense for the year ended 30 June 2019 by R1 156694.16 (previously R19 298 246 per year now R20 454 940.78). Depreciation for each of the next 2 years is expected to be similarly affected by these changes in accounting estimates. -

| Prospective application | 2018/19 Current period | 2019/20 Future period |
|-------------------------------|---------------------------|--------------------------|
| Current depreciation expense | (20,454,941) | (20,454,941) |
| Previous depreciation expense | 19,298,247 | 19,298,247 |
| | (1,156,694) | (1,156,694) |

Restrospective application

The effect of this change was applied retrospectively to the prior years and effect in the 2018/19 period year error as follows

| | 2017/18 |
|--|--------------|
| Accumulated depreciation before change in estimate | 20,938,591 |
| Accumulated depreciation after change in estimate | (15,791,725) |
| | 5,146,866 |

49. ADDITIONAL DISCLOSURE IN TERMS OF THE MUNICIPAL FINANCE MANAGEMENT ACT NO 56 OF 2003

CONTRIBUTIONS TO SALGA

| | | |
|---------------------------------|-----------|-----------|
| Current year subscription / fee | 661,032 | 782,167 |
| Amount paid - current year | (661,032) | (782,167) |
| | - | - |

AUDIT FEES

| | | |
|---------------------------------|-------------|-------------|
| Opening balance | - | 722,280 |
| Current year subscription / fee | 5,097,287 | 2,859,818 |
| Amount paid - current year | (5,097,287) | (2,859,818) |
| Amount paid - previous years | - | (722,280) |
| | - | - |

PAYE, SDL AND UIF

| | | |
|---------------------------------|--------------|-------------|
| Opening balance | 831,334 | 691,192 |
| Current year subscription / fee | 11,041,116 | 9,331,758 |
| Amount paid - current year | (11,041,116) | (9,191,616) |
| | 831,334 | 831,334 |

PENSION AND MEDICAL AID DEDUCTIONS

| | | |
|---------------------------------|------------------|------------------|
| Opening balance | 1,344,409 | - |
| Current year subscription / fee | 15,381,486 | 19,313,496 |
| Amount paid - current year | (15,652,549) | (17,969,087) |
| | 1,073,346 | 1,344,409 |

COUNCILLOR'S ARREAR CONSUMER ACCOUNTS

No councillors had arrear accounts outstanding for more than 90 days at 30 June 2019:

ANNEXURE B
AUDITOR GENERAL REPORT

**REPORT OF THE AUDITOR-GENERAL TO THE EASTERN CAPE PROVINCIAL LEGISLATURE AND THE COUNCIL
ON THE NGQUSHWA LOCAL MUNICIPALITY**

Report on the audit of the financial statements

QUALIFIED OPINION

1. I have audited the financial statements of the Ngqushwa Local Municipality set out on pages ... to ... , which comprise the statement of financial position as at 30 June 2019, the statement of financial performance, statement of changes in net assets, and cash flow statement and the statement of comparison of budget and actual amounts for the year then ended, as well as the notes to the financial statements, including a summary of significant accounting policies.

2 In my opinion, except for the effects of the matters described in the basis for qualified opinion section of this auditor's report, the financial statements present fairly, in all material respects, the financial position of the Ngqushwa Local Municipality as at 30 June 2019, and its financial performance and cash flows for the year then ended in accordance with the South African Standards of Generally Recognised Accounting Practice (GRAP) and the requirements of the Municipal Finance Management Act of South Africa, 2003 (Act No. 56 of 2003) (MFMA) and the Division of Revenue Act of South Africa, 2018 (Act No. 1 of 2018) (Dora).

BASIS FOR QUALIFIED OPINION

PROPERTY, PLANT AND EQUIPMENT

3. The municipality did not recognise property, plant and equipment in accordance with GRAP 17: Property, plant and equipment. The municipality did not depreciate its property, plant and equipment systematically over the lifetime of some of its assets. Furthermore, additions to work in progress included amounts spent in the prior year and assets were identified that were not recorded in the fixed asset register. Consequently, property plant and equipment, as disclosed in note 11 to the financial statements, and accumulated surplus are understated by R30,7 million and R36,1 million respectively; depreciation, as disclosed in note 29 to the financial statements, is understated by R3,2 million; and work in progress opening balance is understated by R2,5 million and repairs and maintenance, as disclosed in note 33 to the financial statements, is understated by R370 923. In addition, I did not receive sufficient appropriate audit evidence for the prior period adjustment on loss on disposal of assets, as disclosed in the prior period error note 38. I was unable to obtain the evidence required by alternative means. As a result, I was unable to determine whether any adjustments to the loss on disposal of assets of R9,3 million were required.

REVENUE FROM EXCHANGE TRANSACTIONS — LICENCES AND PERMITS

4. I was unable to obtain sufficient appropriate audit evidence for the revenue from exchange transactions disclosed in the statement of financial position. Source documents for licences and permits revenue, as disclosed in note 19 to the financial statements, were not provided. I was unable to obtain the evidence required by alternative means. As a result, I was unable to determine whether any adjustments to the revenue from licences and permits of R1 ,8 million were required.

IRREGULAR EXPENDITURE

5. The municipality did not have proper systems in place to identify and record all irregular expenditure disclosed in note 44 to the financial statements, as required by section 125(2)(d) of the MFMA. This expenditure resulted from payments made in contravention of the supply chain management (SCM) requirements. I was unable to confirm the amount of irregular expenditure by alternative means and it was impracticable to determine the full extent of the understatement of irregular expenditure. Consequently, I was unable to determine whether any adjustments were necessary to the irregular expenditure disclosed at R120,7 million in the financial statements.

CASH FLOWS FROM OPERATING ACTIVITIES

6. The municipality did not disclose its cash flows from operating activities in line with GRAP 2: Cash flow statements. The municipality included amounts on the cash flow statement that did not agree to underlying supporting information for cash flow movements. Consequently, cash paid to suppliers and employees is overstated by R5,9 million.

CONTEXT FOR THE OPINION

7. I conducted my audit in accordance with the International Standards on Auditing ('SAS). My responsibilities under those standards are further described in the auditor-general's responsibilities for the audit of the financial statements section of this auditor's report.
8. I am independent of the municipality in accordance with sections 290 and 291 of the International Ethics Standards Board for Accountants' Code of ethics for professional accountants and, parts 1 and 3 of the International Ethics Standards Board for Accountants' International Code of Ethics for Professional Accountants (including International Independence Standards) (IESBA codes) as well as the ethical requirements that are relevant to my audit in South Africa. I have fulfilled my other ethical responsibilities in accordance with these requirements and the IESBA codes.
9. I believe that the audit evidence I have obtained is sufficient and appropriate to provide a basis for my qualified opinion.

EMPHASIS OF MATTERS

10. I draw attention to the matters below. My opinion is not modified in respect of these matters.

RESTATEMENT OF CORRESPONDING FIGURES

11. As disclosed in note 38 to the financial statements, the corresponding figures for the 30 June 2018 were restated as a result of an error in the financial statements of the municipality at, and for the year ended, 30 June 2019.

MATERIAL LOSSES/ IMPAIRMENTS — TRADE DEBTORS

12. As disclosed in notes 5 and 6 to the financial statements, material losses of R8,3 million were incurred as a result of a write-off of irrecoverable trade debtors.

UNAUTHORISED EXPENDITURE

13. As disclosed in note 42 to the financial statements, the municipality incurred unauthorised expenditure of R41 , 7 million, as the total actual expenditure per budget vote exceeded the approved adjustments budget for certain directorates which includes non-cash items.

OTHER MATTER

14. I draw attention to the matter below. My opinion is not modified in respect of this matter.

UNAUDITED DISCLOSURE NOTES

15. In terms of section 125(2)(e) of the MFMA, the Municipality is required to disclose particulars of non-compliance with the MFMA in the financial statements. This disclosure requirement did not form part of the audit of the financial statements and, accordingly, I do not express an opinion on it.

RESPONSIBILITIES OF ACCOUNTING OFFICER FOR THE FINANCIAL STATEMENTS

16. The accounting officer is responsible for the preparation and fair presentation of the financial statements in accordance with GRAP and the requirements of the MFMA and DORA, and for such internal control as the accounting officer determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

17. In preparing the financial statements, the accounting officer is responsible for assessing the Ngqushwa Local Municipality's ability to continue as a going concern, disclosing, as applicable, matters relating to going concern and using the going concern basis of accounting unless the appropriate governance structure either intends to liquidate the municipality or to cease operations, or has no realistic alternative but to do so.

AUDITOR-GENERAL'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

18. My objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes my opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with the ISAS will always detect a

material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

19. A further description of my responsibilities for the audit of the financial statements is included in the annexure to this auditor's report.

Report on the audit of the annual performance report

INTRODUCTION AND SCOPE

20. In accordance with the Public Audit Act of South Africa, 2004 (Act No. 25 of 2004) (PAA) and the general notice issued in terms thereof, I have a responsibility to report material findings on the reported performance information against predetermined objectives for selected development priorities presented in the annual performance report. I performed procedures to identify findings but not to gather evidence to express assurance.

21. My procedures address the reported performance information, which must be based on the approved performance planning documents of the municipality. I have not evaluated the completeness and appropriateness of the performance indicators/ measures included in the planning documents. My procedures also did not extend to any disclosures or

assertions relating to planned performance strategies and information in respect of future periods that may be included as part of the reported performance information. Accordingly, my findings do not extend to these matters.

22. I evaluated the usefulness and reliability of the reported performance information in accordance with the criteria developed from the performance management and reporting framework, as defined in the general notice, for the following selected development priorities presented in the annual performance report of the municipality for the year ended 30 June 2019:

| Development priority | Pages in the annual performance report |
|--|--|
| KPA 2: Quality basic service delivery and infrastructure development | x-x |

23. I performed procedures to determine whether the reported performance information was properly presented and whether performance was consistent with the approved performance planning documents. I performed further procedures to determine whether the indicators and related targets were measurable and relevant, and assessed the reliability of the reported performance information to determine whether it was valid, accurate and complete.

24. The material finding in respect of the reliability of the selected development priority is as follows:

KPA 2: QUALITY BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT

25. I was unable to obtain sufficient appropriate audit evidence for the reported achievement of the indicator "Number of household electrified by 30 June 2019". This was due to limitations placed on the scope of my work. I was unable to confirm the reported achievement by alternative means. Consequently, I was unable to determine whether any adjustments were required to the reported achievement in the annual performance report.

OTHER MATTERS

26. I draw attention to the matters below.

ACHIEVEMENT OF PLANNED TARGETS

27. Refer to the annual performance report on pages ... to ... for information on the achievement of planned targets for the year. This information should be considered in the context of the material finding on the reliability of the reported performance information in paragraph 24 to 25 of this report.

ADJUSTMENT OF MATERIAL MISSTATEMENTS

28. I identified material misstatements in the annual performance report submitted for auditing. These material misstatements were on the reported performance information development priority KPA2 — quality basic service delivery and infrastructure development. As management subsequently corrected only some of the misstatements, I raised a material finding on the reliability of the reported performance information. Those that were not corrected are reported above.

Report on the audit of compliance with legislation

INTRODUCTION AND SCOPE

29. In accordance with the PAA and the general notice issued in terms thereof, I have a responsibility to report material findings on the compliance of the municipality with specific matters in key legislation. I performed procedures to identify findings but not to gather evidence to express assurance.
30. The material findings on compliance with specific matters in key legislations are as follows:

ANNUAL FINANCIAL STATEMENTS

31. The annual financial statements submitted for auditing were not prepared in all material respects in accordance with the requirements of section 122(1) of the MFMA. Material misstatements identified by the auditors in the submitted financial statements were not adequately corrected and/or the supporting records could not be provided subsequently, which resulted in the financial statements receiving a qualified audit opinion.

PROCUREMENT AND CONTRACT MANAGEMENT

32. Some of the bid documentation for procurement of commodities designated for local content and production, did not stipulate the minimum threshold for local production and content as required by the 2017 preferential procurement regulation 8(2). Similar non-compliance was also reported in the prior year. This non-compliance was identified in the procurement processes for the Electrification of 320 Ngqushwa Villages extensions.
33. Some of the goods and services of a transaction value above R200 000 were procured without inviting competitive bids, as required by supply chain management (SCM) regulation 19(a). Deviations were approved by the accounting officer even though it was not impractical to invite competitive bids, in contravention of SCM regulation 36(1).

ASSET MANAGEMENT

34. An adequate management, accounting and information system which accounts for assets was not in place, as required by section 63(2)(a) of the MFMA.
35. An effective system of internal control for assets was not in place, as required by section **63(2)(c)** of the MFMA.

REVENUE MANAGEMENT

36. An effective system of internal control for revenue was not in place, as required by section **64(2)(f)** of the MFMA.

CONSEQUENCE MANAGEMENT

37. Unauthorised and fruitless and wasteful expenditure, and some of the irregular expenditure incurred by the municipality was not investigated to determine if any person is liable for the expenditure, as required by section 32(2)(a) and (b) of the MFMA.
38. Authorisation of unauthorised expenditure amounting to R 7 million was not done through an adjustment budget, as required by section 32(2)(a)(i) of the MFMA.

EXPENDITURE MANAGEMENT

39. Reasonable steps were not taken to prevent irregular expenditure, as required by section 62(1)(d) of the MFMA. The irregular expenditure disclosed does not reflect the full extent of the irregular expenditure incurred as indicated in the basis for qualification paragraph. The majority of the disclosed irregular expenditure was caused by deviations inappropriately used where the preferential procurement process should have been followed.

40. Reasonable steps were not taken to prevent fruitless and wasteful expenditure amounting to R1 02 429, as disclosed in note 43 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the disclosed fruitless and wasteful expenditure was caused by incurring interest on overdue payments.

41 . Reasonable steps were not taken to prevent unauthorised expenditure amounting to R7 million, as disclosed in note 42 to the annual financial statements, in contravention of section 62(1)(d) of the MFMA. The majority of the unauthorised expenditure was caused by depreciation not initially budgeted for.

STRATEGIC PLANNING AND PERFORMANCE MANAGEMENT

42. The performance management system and related controls were inadequate as the described processes of planning, measurement and reporting were not conducted and managed as required by the Municipal Planning and Performance Management regulation 7(1).

OTHER INFORMATION

43. The accounting officer is responsible for the other information. The other information comprises the information included in the annual report. The other information does not include the financial statements, the auditor's report and those selected development priorities

presented in the annual performance report that have been specifically reported in this auditor's report.

44. My opinion on the financial statements and findings on the reported performance information and compliance with legislation do not cover the other information and I do not express an audit opinion or any form of assurance conclusion thereon.

45. In connection with my audit, my responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements and the selected development priorities presented in the annual performance report or my knowledge obtained in the audit, or otherwise appears to be materially misstated.

46. I did not receive the other information prior to the date of this report. When I do receive and read this information, if I conclude that there is a material misstatement therein, I am required to communicate the matter to those charged with governance and request that the other information be corrected. If the other information is not corrected, I may have to retract this auditor's report and re-issue an amended report as appropriate. However, if it is corrected this will not be necessary.

INTERNAL CONTROL DEFICIENCIES

47. I considered internal control relevant to my audit of the financial statements, reported performance information and compliance with applicable legislation; however, my objective was not to express any form of assurance on it. The matters reported below are limited to the significant internal control deficiencies that resulted in the basis for the qualified opinion, the findings on the annual performance report and the findings on compliance with legislation included in this report.

48. Leadership was unable to effectively detect and correct material misstatements in the annual financial statements as there were strong, established reporting and verification processes were not entrenched in the operations of municipality. In addition, leadership did not put measures in place to ensure that appropriate consequences were taken against instances of non-compliance. The municipality did not address a sufficient quantity of prior year audit findings and control deficiencies to maintain an unqualified opinion in the current year and achieve a performance report free from material misstatements.

49. The accounting officer has not effectively implemented daily and monthly controls over the municipality's business processes, resulting in significant misstatements not being detected or corrected in the financial statements, performance information and non-compliance with laws and regulations. Furthermore, management has not managed to effectively store and manage municipal records. Management makes use of consultants to prepare the financial statements, but have not implemented the required controls to ensure that effective oversight over the review of the quality, completeness and accuracy of this work can be assured.
50. The municipality has a functional internal audit and audit committee, however, the internal control weaknesses identified by the external and internal auditors have not been adequately addressed by management. Furthermore, management has been unable to detect and mitigate risks related to internal controls and financial reporting. This has resulted in the annual financial statements being materially misstated.

OTHER REPORTS

51. I draw attention to the following engagements conducted by various parties that had, or could have, an impact on the matters reported in the municipality's financial statements, reported performance information, compliance with applicable legislation and other related matters. These reports did not form part of my opinion on the financial statements or my findings on the reported performance information or compliance with legislation.
52. There are five investigations currently ongoing. These investigations relate to irregular expenditure and have been referred to the disciplinary board and have not yet been finalised.

Auditor-General

Auditor-General

EAST LONDON

30 November 2019



SOUTH AFRICA

Auditing to build public confidence

ANNEXURE — AUDITOR-GENERAL'S RESPONSIBILITY FOR THE AUDIT

1. As part of an audit in accordance with the ISAs, I exercise professional judgement and maintain professional scepticism throughout my audit of the financial statements, and the procedures performed on reported performance information for selected development priority and on the municipality's compliance with respect to the selected subject matters.

FINANCIAL STATEMENTS

2. In addition to my responsibility for the audit of the financial statements as described in this auditor's report, I also:

- identify and assess the risks of material misstatement of the financial statements whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for my opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control
- obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the municipality's internal control
- evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the accounting officer
- conclude on the appropriateness of the accounting officer's use of the going concern basis of accounting in the preparation of the financial statements. I also conclude, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the municipality's ability to continue as a going concern. If I conclude that a material uncertainty exists, I am required to draw attention in my auditor's report to the related disclosures in the financial statements about the material uncertainty or, if such disclosures are inadequate, to modify the opinion on the financial statements. My conclusions are based on the information available to me at the date of this auditor's report. However, future events or conditions may cause a municipality to cease continuing as a going concern
- evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation

COMMUNICATION WITH THOSE CHARGED WITH GOVERNANCE

3. I communicate with the accounting officer regarding, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that I identify during my audit.
4. I also confirm to the accounting officer that I have complied with relevant ethical requirements regarding independence, and communicate all relationships and other matters that may reasonably be thought to have a bearing on my independence and, where applicable, related safeguards.

ANNEXURE C : AUDIT ACTION PLAN

| | | | | | | | | | | | | Complete |
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| | | | | | | | | | | | | In Progress |
| | | | | | | | | | | | | Not yet Due |
| | | | | | | | | | | | | Not yet Done |
| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Directorate | HOD | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan |
| 1 | 1 | Policies in draft and not approved | When the policies were tested, it was identified that some of the policies are in draft /outdated and have not been reviewed for | Management should ensure that policies especially those affecting the annual financial statements are reviewed and approved on an annual basis to ensure that any changes to legislations or standards are taken | Internal Control Deficiency | Corporate | AI H O D's | Draft/unsigned municipal policies | Immediately | All HOD'S | Yes | Management to always on a monthly/quarterly basis check the status, progress and monitor the implementation of all the policies that are in progress and those that are being amended. |

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| | | | more than 3 years. | into account in the policies. | | | | | | | | | |
| 2 | 2 | Use of consultants-control deficiencies | The municipality does not perform any gap analysis before the appointment of consultants. | A gap analysis is performed prior to the appointment of consultants. | Internal Control Deficiency | All HOD's | AI H O D's | Gap Analysis Report (Skills, Time) | On - a -need -to basis | All HOD's | Yes | - Finance perform a Skills Gap Analysis (SGA) in all the sections of BTO in January and first week of February; - The CFO to review the SGA report and provide input by 20 February; - The CFO approve the final SGA by 28 February. | |

| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan |
|----|--------|---|---|---|-----------------------------|--------------|------------|---|-----------|----------------------|-------------|--|
| 3 | 2 | Use of consultants-control deficiencies | The municipality does not have a consultancy reduction plan in place. | There is a consultancy reduction plan in place. | Internal Control Deficiency | ALL HOD's | AI H O D's | 1. Consultancy reduction plans should be submitted by business units. 2.Improve the contract management systems within supply chain.(Monitor) | Quarterly | All HOD's | Yes | - The the Consultancy Reduction Plan be prepared based on the SGA report; - The CFO to review the CRP and provide input by 20 February; - The CFO to approve the CRP and monitor it quarterly; |

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| 4 | 2 | Use of consultants-control deficiencies | Implementation of action plans to address weaknesses on the use and management of consultants, which were reported by external audit in the prior year, were not addressed. | · Head of departments stick to timelines on implementation of audit action plan as stipulated | Internal Control Deficiency | CFO | CFO | 1. Improved performance evaluation form. 2. Monthly evaluation of service provider's performance. | Quarterly | CFO | Yes | Management to monitor the audit action plan timelines and ensure adherence to the stipulated timeliness and any extension closely monitored. |
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| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Directorate | HO D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan |
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| 5 | 2 | Planning - Quarterly performance reviews not performed | Performance reviews are not done on quarterly basis as required by the PMS policy. On inspection of the performance evaluation file of the Chief Financial Officer, the | Management should ensure that quarterly performance reviews are conducted timeously and the PMS policy is adhered to throughout the financial year. | Internal Control Deficiency | HR | H R/ H O D | Performance Management System Policy | Quarterly | HR | Yes | Management must ensure that quarterly performance reviews are conducted timeously and the PMS policy is adhered to throughout the financial year every 15th of the month following the end of a quarter. |

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| | | | quarterly performance reviews were not performed for first, second and third quarter. | | | | | | | | | | |
| 6 | 3 | PPE:Assets on the fixed asset register that no longer exist | The amusement park is included in the fixed asset register R214 296 .02 whereas on physical inspection of the asset it was established | Conduct physical verifications and update the asset register at least quarterly. | Internal Control Deficiency | Asset Management | HOD | Assets Register and physical asset verification | Quarterly | Asset HOD | Yes | -Perform physical verifications and update the asset register -The Physical condition of the asset must correspond with the assets carrying value in the fixed asset register -The depreciation policy of assets as per policy must be strictly and correctly applied to the relevant assets | |

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| | | | that the facilities that make up an amusement park no longer existed. From physical inspection, there is clear evidence that such facilities once existed. | | | | | | | | | | This should be done and completed by the 31 March 2020. |
| 7 | 4 | Internal Audit- No segregation of duties | There is no segregation/ separation of duties as the Head of Internal Audit is also | - Internal audit should not manage any of the risks on behalf of management. - Internal audit should provide advice, challenge and support | Internal Control Deficiency | Risk & Internal Audit | Int al Au di | Detailed list of delegated duties with officials responsible for each duty | Immediately | Internal Audit/ Risk/ AL HOD's | Yes | -The management must ensure that the internal audit section does not perform duties of the risk management section and must ensure that each section performs its | |

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| | | | responsible for risk management . | to management's decision making, as opposed to taking risk management decisions themselves. - Internal audit cannot also give objective assurance on any part of the ERM framework for which it is responsible. Such assurance should be provided by other suitably qualified parties. In order to maintain both the reality and perception of internal audit objectivity and independence, management should separate the staff involved in internal audit tasks from those | t/ Ri sk / A LL H O D' s | | | | | duties and the IA Head reviews. |
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| | | | | involved in risk management and if possible hire a dedicated risk officer. | | | | | | | | |
| 8 | 7 | Financial Statement: Prior period misstatements not corrected | When the prior period misstatements were tested, It was identified that the corresponding figures in the annual financial statements were not adjusted to correct some misstatements identified during | Management should ensure that annually action plans for addressing internal and external audit findings are developed and implemented. | Internal Control Deficiency | BT O/ HO D | B / H O D | Annual action plan | Annually | BTO/HOD | Yes | Management to ensure that proper plans are implemented to address the internal and external audit findings. Prior year adjustments must be finalized by the 30 April 2020 and the supporting file reviewed by IA. |

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| | | | previous years audit | | | | | | | | | |
| 9 | 10 | AFS - Non submiss ion of Information | The information relating to prior period adjustments, the actual adjustments effected and their calculations (if applicable) and Unauthorise d expenditure register | Management should ensure that proper filing system is implemented to allow for easy access of information and to ensure that the information requested is readily available. | Internal Cont rol Defici ency | BT O | Fi n a nc e | COAF Register/Filing system report | Quarte rly | Intern al Audit/ BTO/H OD | Yes | Management to ensure that a proper filing system is reviewed and improved to address the issue of missing correspondences. |

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| | | | requested(RF I 15) and was due for submission on 22 August 2019 but was never submitted upon the agreed deadlines. | | | | | | | | | |
| 10 | 11 | High Level Review of AFS | When the high level review of AFS was done, its was identified that the comparative amount in the Statement of | Management should properly review the annual financial statements to ensure that there are no discrepancies between the restated figures and figures in the prior year financial statements and where such exists disclosure | Internal Control Deficiency | BT O | Fin a nc e | Valuation roll/Asset register | Half yearly | FINAN CE & HR HOD | Yes | Management to properly review the annual financial statements to check if there are no errors or misstatements between the restated figures and figures in the prior year financial statements. When there are errors, a prior period error note is required to |

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| | | | financial performance relating to loss on disposal and revaluation of assets does not agree with the signed prior year financial statements and this difference was not disclosed in the prior period error note detailed under note 38 of the current | should be performed under the prior period error note. | | | | | | | | disclose such. This should be done during the Interim and Annual Financial Statements. |
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| Financial Statement Audit Findings and Corrective Actions | | | | | | | | | | | | | |
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| No | Exception C# | Heading | Summary of Finding | Suggested Control Improvements | Nature | Directorate | HO | POE | Time Line | Responsible Official | Recurring | Step by step action plan | |
| 1 | 12 | AOPO-Usefulness-Indicators not properly disclose | Actual performance for the year ending 30 June 2019 is not compared to | Management should adjust 2018/19 annual performance report to include actual prior year performance reported in previous financial | Internal control deficiency | IDP /PMS | Muniципal M | Proper disclosure and presentation for the reported indicators in | Quarterly performance reports | Quarterly | IDP/PM S & IA | The Annual Performance Report must be updated to include a column for the prior year actual performance by 30 April 2020. | |

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| | | d and presented | prior year performance in the Annual Performance Report as required by the Municipal System Act | year. In an instance were the indicator/objective is new(reported for the first time), it should be indicated as such. | | | a n ag er | the APR and SDBIP | | | | |
| 12 | 13 | Adjusted (COAF 12)AOP O-Reported achievement not accurate and valid | Inconsistency between actual performance reported on the APR and the progress report was identified. | Management should revisit reported achievement and it's supporting documents to ensure they report on the actual work claimed/done by the contractor at year end. Thus should adjust the reported achievement accordingly | Internal Control Deficiency | IDP /P MS | M u ni ci p al M a n ag er | APR | Quarterly | Council | YES | -The APR must be updated based on the completion certificates and progress reports received from the projects done. '-Not achieved targets must be updated as such on the progress report and properly documented. |

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| 1 3 | 14 | SCM: Reasons for varia tions not report ed to council | The reasons for variation orders/extension of supplier contracts were not tabled to the council of the municipality. The total variation for the affected contracts is R755 884,90 | Reasonable steps to ensure that variation orders/extension of controls are monitored and report to council on a regular basis. | Inter nal Cont rol Defic iency | SC M/ C ou nc il | S C M /C o u nc il | Variation orders | Quarte rly-as per meetin gs of counci l | Counci l | Yes | -The variation orders must be filed. An SCM representative will present the variations orders and extensions to the council in council meetings on time. |
| 1 4 | 17 | SCM: unjustifi able reason for | Deviation reasons given for the affected suppliers are not | The accounting officer should ensure that prior to the approval of deviations; the reasons provided for deviations are valid | Inter nal Cont rol | SC M | S C M H | Reviewed deviations register | Throu ghout the year | SCM | Yes | -SCM staff must provide valid reasons for deviations when deviating from the SCM policies. -Deviations must be |

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| | | deviation | justifiable. The deviations amount to R609 074. | in terms of SCM regulation 36. | Deficiency | | O D | | | | | | supported and approved by the delegated authority |
| 15 | 18 | AOPO:limitation of scope indicator | Details of all the households including registered beneficiaries of households which have been electrified or planned to be electrified were not submitted for audit. There were | Request and safe keep all progress reports including supporting schedules pertaining to projects which are being completed by the Municipality as to ensure the status on progress of projects being completed by the Municipality can easily be validated and verified. | Internal Control | IDP /P MS | M u ni ci p al M a n ag er | List of beneficiaries Progress Report | Throughout the year | All HOD | Yes | -A list of beneficiaries must be filed and updated when necessary. It will clearly demonstrate households that are electrified and those awaiting electrification. '-Progress report must be kept and reviewed regularly to check the status of the project | |

| | | | | no other alternative means on obtaining evidence about the reported achievement on the APR | | | | | | | | | |
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| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan | |

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| 16 | 19 | AOPO-The performance measure is not well defined | Some of the reported performance measures on the Annual performance Report are not quantified to include what has been achieved or not achieved. This then results to reported actual performance measure not to be well defined so | Management should implement the necessary monitoring controls to ensure that actual performance is measured and reported in the annual performance report. | Leadership: Over sight responsibility regarding financial and performance reporting and compliance and | IDP /P MS | M u ni ci p al M a n ag er | The municipality to ensure that the reported information is consistent to the information outlined in the approved IDP & SDBIP specifically the achieved target should be well defined and supported with valid evidence. | Quarterly performance reports | Quarterly | IDP/PM S & IA | A review of the SDBIP and APR must be performed by an independent party and to ensure that the performance measures are well defined. |
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| | | | | that data can be collected consistently. | | | related internal controls was not exercised. | | | | | | |
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| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan | |
| 17 | 20 | SCM: Non submiss ion of | The service level agreement for the contract | Proper filing system is implemented to allow for easy access of information and to ensure that the | Internal Control | SC M | S C M H | Service level agreement Filing system in place to easily access | Throughout the year | SCM Manager | No | -All contracts to be included in a contracts register that is regularly updated. '-There will be proper | |

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| | | information | procured through other organs of state has not been submitted | information requested is readily available. | Deficiency | | O D | information requested. | | | | | filing of all procurement contracts will all the relevant documents as required to allow easy access when required. |
| 18 | 24 | SCM: Bid Specification did not specify Local Content and Production | The winning provider (AM Engineering Consulting) did not provide Declaration of Local Content as required. It was also noted that the bid specification did not provide the | Proper filing system is implemented to allow for easy access of information and to ensure that the information requested is readily available. | Internal Control Deficiency | SC M | S C M M a n a g e r | Completed Tender documents Specifications | on a need basis | SCM Manager | No | | - Specifications must include all the key information needed for a tender/bid. SCM Manager must review the specification before the tender advert goes to print. -All tenders documents submitted must be reviewed to check if all the required information is filled in, tender documents with outstanding information will be disqualified from |

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| | | | minimum threshold for local production and content. | | | | | | | | | the bidding process. '- Winning bidders information and supporting documentation must be kept properly and available when needed. |
| 1 9 | 25 | Revenue – Fines & Penalties -Non submission of information | Information relating to fines and penalties due on 30 October 2019 was not been submitted within the agreed upon deadlines as requested in RFI 55 issued on 28 | Management should ensure that all information requested within a RFI should be submitted at once, completely and accurately. Also a proper filing system could be implemented to allow for easy access of information and to ensure that the information requested is readily available. | Internal control deficiency | BT O | C O | - Filing system in place to easily access information requested. - thorough review of documents before submitting | On - a -need -to basis | SCM Manager | yes | - Finance to keep proper records used as supporting documentation and conduct frequent check of information used as supporting documentation of AFS. Further, all Directorates must submit information requested by the auditors within the stipulated request for information period. |

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| | | | October 2019 | | | | | | | | | |
| 20 | 28 | Contracted Services | Revenue - Licences & Permits - Completeness - Poor storage of documentation & non-submission of information. | Implement a proper filing system, which allows documents to be easily accessed. | Internal Control Deficiency | Revenue | Review | License & Permit document storage | monthly | Revenue Manager | No | -A proper filing system will be implemented, which will include updating the file each time an application is processed. '- Copies of application forms will be made and scan to create a soft copy of the documents/applications. |
| 21 | 30 | Employee costs - No shift allowance | It was identified that there is no municipal policy on shift allowances. | We recommend that a shift allowance policy is drawn up and implemented which clearly states who is entitled to a shift allowance (stating | Internal Control Deficiency | Payroll /HR | AI | 1. Proper implementation of the shift allowance policy. | Annually | IT HOD | Yes | -Management to draft, pass for review and introduce a shift allowance policy that will be used as a basis for shift allowances. -Submit the properly |

| | | ce policy | As there is no shift allowance policy for the municipality, there is thus no document or memo which states who is entitled to the shift allowance, as the circular does not state who is entitled to the allowance. | which job titles or job groups are entitled to the shift allowance). | | | | | | | | | reviewed policy to the council for approval. |
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| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct | HO D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan | |

| | | | | | | | ora te | | | | | | | |
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| 2 | 30 | Revenue - Fines & Penalties - Completeness Test | When Testing the Completeness of Fines & Penalties, invoices could not be traced and identified on the general ledger and the system. Other invoices did not agree with the records in the general ledger | Management should ensure that all information requested within a RFI should be submitted at once, completely and accurately. Also, a proper filing system could be implemented to allow for easy access of information and to ensure that the information requested is readily available. | Internal Control Deficiency | BT O | C F O | -Review of invoices and journals posted on the general ledger. | Throughout the year | FINANCE & HR HOD | yes | -Finance to perform a review of the posting of revenue on the system to ensure that details are the same as per the underlying records. - Finance to perform completeness check of fines and penalties to the general ledger. | | |

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| 2 | 32 | Consequence Management: Cases of UIFW not investigated | The prior year balances relating to Irregular Expenditure, Unauthorized expenditure and Fruitless & Wasteful expenditure have not been investigated to determine if there was anyone liable for the expenditure. | Review and Monitor compliance with the relevant laws | Internal Control Deficiency | SC M | C F O & S C M M M a n a g e r | 1. SCM staff should adhere to the procurement policies and processes 2. Perform an investigation to identify persons liable and take action against those failing to pay | Quarterly | All HOD's & Supply Chain | Yes | <p>-The SCM department should adhere to the policies and processes of SCM and those of the MFMA to avoid non-compliance with the regulation</p> <p>- MPAC to investigate the persons liable and present a written agreement for them to recover the costs incurred. Legal action must be taken against those who fail to pay the municipality back.</p> <p>-BTO must monitor the budget timeously to avoid unauthorised expenditure</p> |
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| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan |
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| 24 | 33 | Section 32 contract where municipality could not demonstrate what discounts and benefits received from the section 32 contract: Supply and Delivery of Light and Heavy duty Commercial Vehicles - | The municipality could not demonstrate what discounts and benefits received from the section 32 contract: Supply and Delivery of Light and Heavy duty Commercial Vehicles - | Put proper controls in place to ensure compliance with applicable supply chain management laws and regulations. | Internal Control Deficiency | SC M | S C M M a n a g e r | Regulation 32 contract | on a need basis | SCM Manager | No | -A cost benefit analysis will be performed to identify and weigh the benefits and discount of the regulation 32 contract. -SCM should ensure they follow SCM policies and regulation as to avoid non-compliance. |

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| | | | | Toyota South Africa | | | | | | | | | |
| 25 | 34 | Cash and Bank-Limitation of scope | The bank confirmation was not obtained from the relevant bank for the FNB Petrol card account number 62084123787 , as the account was denied since and the municipality name does | Ensure that proper filing system is implemented to allow for easy access of information and to ensure that the information requested is readily available. | Internal Control Deficiency | BT O | Fin a nc e | Proof of bank confirmation | Monthly | Accou ntant | YES | -Ensure that proper filing system is implemented to allow for easy access of information and to ensure that the information requested is readily available. | |

| not correspond to records of the bank. | | | | | | | | | | | | |
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| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan |
| 26 | 35 | Unauthorised expenditure not authorised on an adjustment budget | 2. Unauthorised expenditure of R6 954 810 amount was not authorised through an | Ensure that compliance with applicable laws and regulations is regularly monitored. | Internal Control Deficiency | SC M / BU's | AI H O D's | 1. Proof of review and signed adjusted budget | | All HOD's & Supply Chain | No | - BTO to review and ensure all adjustments made on the budget are approved before the final adjusted budget. |

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| | | | | adjustment budget. | | | | | | | | | |
| 27 | 35 | Consequence Management- Non-compliance and internal control deficiencies identified | The consequence management was tested and the following non-compliances were identified on verification of the consequence management | 1.The Municipality is encouraged to submit a composition of the disciplinary committee, as well as appointment letters to such committee, evidencing the following: · Membership thereto consist of a maximum of five members appointed on a part-time | Internal Control Deficiency | Risk & Internal Deficiency Audit | Interest / Risk Audit / HOD | 18 / 19 Audit Action Plan | Immediately | Internal Audit/ Risk/HOD | Yes | The management must submit a list of the disciplinary committee members and their appointment letters. The management must also monitor the proceedings of this committee and ensure that all steps are followed. | |

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| | | | <p>process:</p> <ol style="list-style-type: none"> 1. The municipality does not have a disciplinary board to investigate allegations of financial misconduct in the municipality and to monitor the institution of disciplinary proceedings against an alleged transgressor. 2. The municipality does not | <p>basis by the council or board of directors for a period not exceeding three years.</p> <ul style="list-style-type: none"> · The following people are excluded from membership of a disciplinary board: <ol style="list-style-type: none"> (a) an accounting officer of a municipality or municipal entity; (b) a political office-bearer or a member of a board of directors; and (c) a person who is an office-bearer in a political party. <p>2. The municipality must have a anonymous fraud reporting mechanism in place, where</p> | | | | | | |
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| | | | have an anonymous fraud reporting mechanism in place therefore no register in place to monitor these reports 3. A register of unauthorised expenditure is not maintained. | employees and suppliers can report freely 3. Details of unauthorised expenditure must be retained in the register for purposes of completeness and to provide an appropriate audit trail. The unauthorised expenditure register must be updated to reflect the outcome of the investigations. | | | | | | | | |
| 2 8 | 36 | Commitments: Omitted Account | During the audit, an accounting policy for | Ensure that there is a proper review of Annual Financial | Internal Control | BT O | Fin a | Review of AFS | Throughout the year | FINANCE & HR HOD | No | -Thorough review of Annual Financial Statements before submission for audit, |

| | | ing Policy for Capital Commitments | Commitments was omitted from the list of accounting policies as disclosed in the Annual Financial Statements. | Statements prior submission for audit. | Deficiency | nc e | | | | | | | ensuring all accounting policies applicable to the municipality are included |
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| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan | |
| 29 | 37 | Employee costs - Acting allowances not separately | It was identified that the acting was not separately disclosed on | We recommend that as the salaries and acting allowances have the same vote number and are included in the same GL account, a note | Internal Control | Pay roll /HR | all H O D' | 1. Note disclosure splitting the basic salaries and acting allowances. | Half yearly | IT HOD | Yes | The Payroll section must create a split of acting allowances from the basic salaries to ensure a true and fair representation of basic salaries as they are now | |

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| | | disclosed on the AFS | the AFS but was included as part of basic salaries. As an acting allowance and basic salary are not the same and have different characteristics it needs to be disclosed separately. | should be presented with the General Ledger to the person who prepares the AFS, to show a breakdown of the amount that the General Ledger account is made up of i.e. show how much of the amount per the GL is basic salaries and how much is acting allowances. | | | | | | | | overstated by acting allowances. |
| 30 | 38 | Employee costs - Payroll reconciliation inappro | The reconciliation done between note 27 of employee | We recommend that payroll reconciliations be performed on a monthly basis between the payroll report and the general | Internal Control | Payroll /BT O | H D | 1. Payroll reconciliation of payroll report and GL | Monthly | BTO/H OD | Yes | -The management must ensure that reconciliations between the general ledger and the payroll report are done on a monthly basis. |

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| | | priately performed | related costs of the annual financial statements and the Municipality's payroll report differences were identified for most of the items disclosed and the reasons for some of these differences were inappropriate. The amount per the payroll | ledger, as well as valid and appropriate reasons be provided for the reconciling differences noted each month. | | | | | | | | | -The payroll reconciliation must be reviewed by delegated official. |
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| | | | provided by the client also did not equal the amount per the payroll per our recalculation . | | | | | | | | | | |
| 3 1 | 39 | Revenue- Restatements - Incorrect correction of prior period error | In the prior year, when accounting for the Eskom electrification project. The municipality had identified that they | 1. A liability should be raised for funds received, as there are conditions to how the money should be spent, and until the money is spent, it should remain there. 2. When money has been expended for the purposes of the electrification project | Internal Control Deficiency | Revenue e n u e M a n ag er | Journals | on a need basis | Revenue Manager | NO | -Journals should be reviewed before being processed. - Review of correct classification of adjusting journals to ensure compliance with the regulations and MFMA. | | |

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| | | | had incorrectly raised an asset for the electricity infrastructure constructed. | 3. Since money was spent and conditions were met | | | | | | | | |
| 3 2 | 40 | Intangible assets - Completeness issue | Completeness of Intangible assets: When performing a completeness test of intangible assets (software programs) it was identified | When a software program is purchased, it should be assessed in terms of the relevant standards as to whether it meets the definition and recognition criteria of an intangible asset or not. Proper record keeping must also be done in terms of supporting documents for proof of the initial | Internal Control Deficiency | I.T , Assets | CFO | Fixed asset register | Monthly | CFO | Yes | The municipality to assess all software programs purchased according to the relevant standards to see if they meet the definition and recognition criteria of an intangible asset. |

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| | | | <p>that the following software programs were identified and not listed on the Fixed asset register:</p> <ul style="list-style-type: none">>Mimecast (for email's)>Cibecs (for backups)>TCS (for traffic fines)>CC Cleaner | <p>purchase of the intangible asset.</p> | | | | | | | | |
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| 3 | 41 | Revenue from non-exchange transactions - Property rates | On performing testing for Property rates, it was noted that the amount disclosed on the AFS for property rates differed from the General valuation amount billed for the year. | Proper steps should be taken to ensure that proper accurate supporting documentation for the AFS is reviewed. | Internal Control Deficiency | BT O | C F O | Review of supporting documents to ensure it agrees with the AFS | Throughout the year | FINANCE & HR HOD | yes | - Finance to perform reconciliation of the general valuation to the trial balance and general ledger. - Keep valid supporting documentation for all information relating to the property rates and the valuation rolls. |
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| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan |

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| 3 | 42 | Trade Payables - Incorrect Naming of Account s & Incorrect Presentation within the AFS | During the audit, a number of findings were identified where trade payables accounts had incorrect description and therefore incorrectly presented on the AFS. | It is recommended that account descriptions match the nature of the transactions occurring within the account. It is also recommended that management review Annual Financial Statements before printing them. | Leadership responsibility regarding financial and performance reporting and compliance and | BT O | C F O | Review of entire trade payables population to reflect correct description | Throughout the year | FINANCE & HR HOD | yes | -Finance to perform a review of account description of trade payables -Perform proper review of the AFS and supporting documentation. |
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| | | | | | relat ed inter nal contr ols was not exerc ised. | | | | | | |
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| 3 | 45 | SCM-Interest - Employees who are business partners with municipality | Employees who are business partners with Ngquushwa municipality suppliers: Daniswa Ncanywa, Misiwe Mpahlwa, Nombuyiselo E.Magingxa | Declarations of interest are followed up for any discrepancies | Internal Control Deficiency | SC M, Internal Control Deficiency | S C M | SCM Declaration of interest | on a need basis | SCM Manager & Internal Audit Manager | yes | -Employees who have a possible conflict of interest must disclose this information and sign a declaration. -Action must be taken for employees who have a conflict of interest in a bid but have failed to disclose such. This will reduce the overriding of the SCM policies. |
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| 3 6 | 46 | SCM:Interest State | There are interest exceptions that were identified: suppliers who are in the employ of other state institutions | Ensure that declarations of interest are followed up for any discrepancies | Internal Control Deficiency | SC M & Internal Audit | S C M a n a g e r | Declaration of interest | on a need basis | SCM Manager | Yes | -Declaration of interest forms must be checked thoroughly |
| 3 7 | 47 | Inventory - Inventory register not appropriately maintained | When valuation of inventory was tested, the value per the inventory listing did not agree to the value per the valuation | Management should re-look at the Inventory register and perform the following: >Ensure that all assets that meet the definition of inventory are listed on the register, >Ensure the value of the Inventory is up to | Internal Control Deficiency | Assets / BT O | C F O | Valuation roll/Asset register | Monthly | CFO | Yes | Management to ensure that all assets listed in the inventory register meet the definition of inventory and ensure the accuracy of the value of the inventory and that it corresponds with that of the valuation roll. |

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| | | | roll for some items. When completeness of inventory was tested, it was identified that these properties that fall within the Peddie 500 area as well as the Ndlovini area which were still in the municipalities name per the Amathole District Municipality' | date and corresponds to the value per the valuation roll. | | | | | | | | |
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| | | | | s GIS system could not be located on the Inventory register. | | | | | | | | | |
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| No | Exception # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Directorate | HOA | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan | |

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| 3 | 48 | SCM: Non Submission of detailed Methodology | During the audit of functionality for the construction of Mtati Community Hall that the detailed methodology for Mpondo Moss Trading was scored 10 points, however on perusal of the bid file, there was no documentation to support the detailed methodology | Proper filing system is implemented to allow for easy access of information and to ensure that the information requested is readily available | Internal Control Deficiency | SC M | S C M a n ag er | Detailed methodology of scoring | on a need basis | SCM Manager | No. | -All documentation for bids and scoring of bids should be well documented and filed. |
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| | | | | scoring of 10 points. The non-submission of the detailed methodology will reduce Mpondo Moss Trading functionality scoring from 70 points to 65 points. | | | | | | | | | |
| 3 | 49 | Revenue from non-exchange - Grants | While conducting the audit for grants it was noted that list provided by the municipality | Further guidance should be sought should there be uncertainty in matters that are legislated by other parties i.e. National treasury | Internal Control Deficiency | BT O | C F O | Review of grants received to be included on the AFS | Throughout the year | FINANCE & HR HOD | no | - Finance to perform a review of the conditions of the grants to ensure correct classification and disclosure. | |

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| | | | for grant received included an INEP grant from National Treasury, however this grant was not disclosed in the AFS of the municipality like the other conditional grants received by the municipality. | | | | | | | | | |
| 40 | 52 | Investment Property | When the recalculation of the | Management should revisit the Annual Financial Statements | Internal Cont | Assets / | CFO | Investment property register | Annually | CFO | Yes | Management to thoroughly review the annual financial |

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| | | y: Differen- ces be- tween Invest- ment prop- erty register and auditor' s recalcula- tion | revalued investment properties was performed, differences amounting to R19 000,00 and R22 000,00 were identified between the recalculated amount and the value of the properties per the investment property register. | submitted for audit on 31 August 2019 and accompanying schedules, Trial Balance and General Ledger and correct the difference noted so as to ensure that the Annual Financial Statements are prepared based on the accompanying schedule. | rol Defic- iency | BT O | | | | | | | statements submitted for audit and the supporting documents to ensure that the annual financial statements are prepared according to the supporting documents. |
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| 4 | 53 | Unauthorised Expenditure: Difference between amount in the schedule and amount in AFS | During the audit, It was identified that there is a difference of R1 265 957,00 between the amount of unauthorised expenditure incurred during the year as per the supporting schedules to the amount disclosed in the annual financial statements. | Management should revisit the Annual Financial Statements submitted for audit on 31 August 2019 and accompanying schedules, Trial Balance and General Ledger and correct the difference noted so as to ensure that the Annual Financial Statements are prepared based on the accompanying schedule. | Internal Control Deficiency | BT O | Fin a nc e | Unauthorised expenditure schedule | Half yearly | FINAN CE & HR HOD | Yes | Management to do a thorough review of the submitted Annual Financial statements and the supporting schedules to ensure that they are a correct basis. |
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| 4 3 | 56 | Revenue - Remaining Population - Completeness Test - Non submission of information | Not all building Plan Approval Registers were submitted | Management should ensure that all information requested within a RFI should be submitted at once, completely and accurately. Also a proper filing system could be implemented to allow for easy access of information and to ensure that the information requested is readily available.. | Internal Control Deficiency | BT O | C F O | - Filing system in place to easily access information requested. - thorough review of documents before submitting | On - a -need -to basis | SCM | yes | - Finance to keep proper records used as supporting documentation and conduct frequent check of information used as supporting documentation of AFS |
| No o | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccur ring | Step by step action plan |

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| 4 | 58 | Receivable s - Cash systems faulty | While auditing other debtors it was noted that cash debtors reflected as a liability, on enquiry with management it was discovered that cashiers have been depositing more money than reflected by their cash systems. | Municipality should ensure that cash system are correctly operating, and should the be faults they should ensure that proper lasting measures are taken to resolve an system issues | Internal Control Deficiency | BT O | C F O | Review of reconciliations made during the year. Update of cash system. | Throughout the year | FINAN CE & HR HOD | yes | <ul style="list-style-type: none"> - Finance to review the reconciliations made during the year between the cash system, receipts and direct deposit. - Conduct a cash system update as to ensure the system does not give an error again. |
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| 45 | 61 | PPE: Payment voucher recorded in incorrect period | An invoice relating to work done in the prior year has been recorded in the current year. | Review all payments after year-end to ensure that all payments are recorded in the correct period. | Internal Control Deficiency | BT O | Fin a nc e | Review of Payment vouchers and invoices for dates and comparison with the GL and TB | Throughout the year | FINAN CE & HR HOD | No | <ul style="list-style-type: none"> -Review payments made after year-end to assess if they are recorded in the correct financial period. - Proper review of GL and TB ensuring the dates reflected areas per the actual invoice received and recorded in the correct period |
| 46 | 62 | Irregular Expenditure not properly investigated | It is noted that the investigation being conducted for irregular expenditure as required by legislation is not properly | Management should ensure proper controls to investigations are properly conducted. | Internal Control Deficiency | SC M/ BT O | H D | Irregular Expenditure Report / Register | Annually | SCM/B TO/HO D | Yes | Management to set up and monitor a well-equipped committee to investigate the irregular expenditure incurred and ensure that they bring all officials liable for the expenditures to book. |

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| | | | conducted as the following minimum criteria was not adhered to: a. The investigation was commissioned/ approved at the appropriate level. b. Terms of reference of the investigation s were approved. c. The scope of the investigation addresses the | | | | | | | | |
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| 47 | 63 | PPE: Assets not in working condition included in FAR | It was identified that there were items included in the Fixed asset register but were no longer in working condition. Asset code:15283 Asset description: Pizza Oven | Management should conduct asset counts at least quarterly. | Internal Control Deficiency | Assets / BT O | CFO | Asset Register | Quarterly | CFO | Yes | Management to conduct asset counts quarterly. |
| 48 | 64 | PPE:Assets could not be traced from | There are assets identified from the floor that could not be | Conduct asset counts at least on quarterly basis. | Internal Control | Asset Manager | HOD | 1. Fixed Asset Register 2. Physical Asset Verification | Throughout the year | Asset HOD's | Yes | -The asset department should perform an asset verification quarterly and this should documented and signed by the manager in the |

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| | | the floor to the Fixed Asset Register | traced back to the Fixed Asset Register the total carrying amount of the assets is R117 745,09 | | Deficiency | em ent | | | | | | department. '-Asset register should be updated regularly and all assets must be barcoded. '-The relevant laws policies relating to assets must strictly followed and applied to avoid any assets being expensed when in actual fact must be capitalised. '-The prior year total and carrying value of fixed assets must be compared to the current years carrying value to identify fluctuations |
| 4 9 | 67 | PPE: VAT, Retention, and | During the audit, it was identified that VAT, | Management should thoroughly review payment vouchers | Internal Control | BT O, Assets | C FO | Asset Register, Vat schedules/invoice register | Monthly | CFO | Yes | The municipality to review payment vouchers and the payment terms before |

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| | | Suretyship incorrectly calculated. | Retention and Suretyship were incorrectly calculated their schedules. | before making payment. | Deficiency | | | | | | | payment is made and ensure that all the amounts to be retained are correctly calculated and accounted for. |
| 50 | 68 | PPE: Differences noted between Assets transferred and Payment vouchers. | It was noted during the audit there differences between the assets transferred from W.I.P. to P.P.E and the actual payment vouchers. Furthermore, it was noted | Management should reconcile the FAR to supporting documentation. | Internal Control Deficiency | BT O , Ass ets | C FO | Payment vouchers/ Contracts | Monthly | CFO | Yes | Management to agree the payment vouchers to the contract price to ensure that on under/over payments of suppliers is done. And always ensure that federal acquisition regulation reconciles with the supporting documentation. |

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| | | | | that there were differences between the total of the payment voucher presented for audit and the contract price of the various projects. | | | | | | | | | |
| 5 1 | 69 | PPE:Diff erences betwee n deprec iation expense and recalcu | Differences were noted between the depreciation expense for the year and recalculated depreciation. | 1. Review depreciation calculations before passing journals on the system. | Internal Control Deficiency | Asset Management & Exp. end | H O D- as se t | Depreciation calculations and Journals | On-a-need-basis | Asset HOD | YES | -Depreciation must reviewed by another staff in the asset department to ensure that the depreciation is accurate. -The depreciation policy of assets as per policy must be strictly and | |

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| | | ated depreciation | | | | itur e Cle rk | | | | | | correctly applied to the relevant assets |
| 52 | 70 | PPE:Asset Register deficiencies identified | During the audit, a number of findings were identified where decencies within the asset register were identified. Furthermore, there were assets that were not included on | Management should review the asset register on quarterly basis. | Internal Control Deficiency | BT O | C F O | Signed review of monthly FAR reconciliations | Throughout the year | FINANCE & HR HOD | yes | <ul style="list-style-type: none"> - Finance to perform an FAR reconciliation each month - Asset manager to review and sign the reconciliation - Perform asset verification and update the FAR |

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| | | | the assets register. Also no reconciliation of FAR were done | | | | | | | | | |
| 53 | 72 | Irregular Expenditure: Different Irregular Expenditure misstatements | During the testing of irregular expenditure, we noted that detailed payment were recognised as irregular expenditure in incorrect accounting period. Furthermore noted that a | Management must ensure that there sufficient controls to manage and monitor the process for preparation of accurate, valid and complete financial information are implemented | Internal control deficiency | SCM | AIHOD's | Review of entire irregular expenditure schedule and deviation schedule | Through the year | SCM | no | - Proper review of irregular expenditure report/schedule before approval must be performed. |

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| | | | payment detailed was included in the register of irregular expenditure and deviations | | | | | | | | | |
| 5 4 | 74 | SCM - Irregular Expenditure Completeness | Contracts which have been identified as irregular expenditure through competitive bid and deviation testing were not included in the irregular | Review of contracts for irregular expenditure timeously so that they do not depend on the audit process to identify irregular expenditure for them. | Internal Control Deficiency | SC M | S C M a n ag er | Irregular expenditure register and Deviations register | Throughout the year | SCM Manager | No | -Irregular expenditure must be regularly updated and reviewed to avoid omissions or understatements. -Completeness of irregular expenditure must be conducted by the SCM |

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| | | | expenditure register | | | | | | | | | | |
| 5 | 75 | Contingent Liabilities: Difference between amount in the schedule and amount in AFS | There is a difference between the amount of unauthorised expenditure incurred during the year as per the supporting schedules to the amount disclosed in the AFS. | Revisit the Annual Financial Statements submitted for audit on 31 August 2019 and accompanying schedules, Trial Balance and General Ledger and correct the difference noted so as to ensure that the Annual Financial Statements are prepared based on the accompanying schedule. | Internal Control Deficiency | BT O/ SC M | Fin a nc e | Review of AFS and reconciliation of AFS, the supporting schedules and Legal confirmation from the attorneys | Throughout the year | FINANCE & Legal | No | - Proper review of AFS and the supporting schedule must be kept and regularly updated. - Obtain annual legal confirmation from the attorneys to update the contingencies based on the progress of the cases. | |

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|---|----|---|--|---|-----------------------------|-------|--------------|---|------------|-----------|---------------|---|
| 5 | 76 | PPE:Asset could not be traced from the asset register to the floor. | An asset valued at R1,340,087.67 could not be traced from the asset register to the floor. The asset is described as a Front End Loader CAT. | Physical verifications and the update and review of the fixed asset register should be done at least quarterly. | Internal Control Deficiency | Asset | Ass et H O D | Asset Register, Physical asset verification | Quarterly. | Asset HOD | Yes Quarterly | -A regular physical asset verification should be performed and documented and signed by Asset Manager as proof that this has taken place. -Staff in the asset department must be responsible for regularly updating the Fixed Asset Register |
|---|----|---|--|---|-----------------------------|-------|--------------|---|------------|-----------|---------------|---|

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| 5 | 78 | Cash flow statements inaccurately performed | 1. During The testing of cash flow statement differences were found on the calculation of billed services, cash paid to suppliers and employees, proceeds from disposal of PPE and proceeds from insurance. | We recommend that management re-look at the cash flow statement calculations used to prepare the financial statements and confirm that all the amounts used were the current year cash flows. We also recommend going forward that once the cash flows are performed that they are adequately reviewed by a person of management other than the person who performed the cash flow calculations. | Internal Control Deficiency | BT O | Fi n a nc e | Review of statement of cash flow | Throughout the year | FINAN CE & HR HOD | yes | - Finance perform a review of statement of cash flow reconciling it with the cash items and no cash items; |
|---|----|---|---|---|-----------------------------|------|-------------|----------------------------------|---------------------|-------------------|-----|--|

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|---|----|---|--|---|-----------------------------|------|-------|--|---------------------|-----|----|--|
| 5 | 81 | Trade Payables - No support for reconciling items | When performing testing, The Creditors age analysis was agreed to the General ledger and reconciling items were identified. The municipality were unable to provide supporting documentation relating to the reconciling items, thus we were | Management should ensure that all information requested within a RFI should be submitted at once, completely and accurately. Also, a proper filing system could be implemented to allow for easy access of information and to ensure that the information requested is readily available. | Internal control deficiency | BT O | C F O | - Filing system in place to easily access information requested. - Valid journals for all the adjustments made in reconciling trade payables. | Throughout the year | CFO | no | - Finance frequently perform reconciliation of creditors age analysis and trade payables account - Adjusting journals to be approved and supported with valid supporting documents. |
|---|----|---|--|---|-----------------------------|------|-------|--|---------------------|-----|----|--|

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|--------|----|--|---|---|-----------------------------|-----------------------|------------|------------------------------------|----------|-----------------|-----|---|
| | | | unable to test them | | | | | | | | | |
| 5 9 | 83 | Contingent Liabilities have not been disclosed accurately and have not been classified appropriately | 1. Contingent liabilities confirmed by the legal counsel are more by R150 000 than the ones disclosed in the AFS. And included in the contingent liabilities for the year is an amount of | 1. Management should ensure that notes to the financial statements are accurate, complete and aligned. Moreover, management should ensure staff responsible for allocating and classifying transactions are well versed with GRAP requirements. | Internal Control Deficiency | Legal services/ BT | Audit O | Case roll / Legal counsel document | Annually | FINANCE & Legal | Yes | <ul style="list-style-type: none"> - Proper review of AFS and the supporting schedule must be kept and regularly updated. - Obtain annual legal confirmation from the attorneys to update the contingencies based on the progress of the cases. |

| | | | | | | | | | | | | | | |
|----|----|--|---|---|-----------------------------|-------------|-----|----------------|----------|-----|-----|---|--|--|
| | | | iately in the AFS. | R61 482 which relates to a finalised case. | | | | | | | | | | |
| 60 | 85 | PPE: Assets in the sample accounted to Minor Assets. | When minor assets were tested, there were items of PPE identified from the floor and traced to the asset register, however it was established that while the assets | Management must align its policies to the relevant reporting framework. | Internal Control Deficiency | Assets / BT | CFO | Asset Register | Annually | CFO | Yes | Management to align all its accounting policies to the relevant applicable framework. | | |

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|--------|----|--------------------------|---|--|------------------|----------|-----|----------------|----------|-----|-----|---|--|
| | | | | where in working condition and were being utilised by the Municipality for service delivery these assets were classified as Minor assets and had been expensed on the year of acquisition. | | | | | | | | | |
| 6 1 | 86 | Fully depreciated assets | When the assets were tested for depreciation, | The asset register should be reviewed to ensure compliance | Internal Control | Assets / | CFO | Asset Register | Annually | CFO | Yes | Management to review the asset register to ensure its compliance with GRAP. | |

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|--|--|---|--|-----------------------------|------------|------|--|--|--|--|--|
| | | still in use included in F.A.R. at R Nil. | It was identified that there were fully depreciated assets in the asset register but were still in use. This contradicts GRAP 3 as GRAP 3 requires that should the useful life of an asset be changed such assets would have to be accounted for in terms of GRAP 3 as | with the GRAP requirements. | Deficiency | BT O | | | | | |
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|----|----|--|--|--|---|-----------|----------------------------|---------------------------------|----------|-----|----|---|--|
| | | | | a change in estimate. | | | | | | | | | |
| 62 | 88 | Compliance Road Infrastructure: Deficiencies identified. | During the audit a number of findings were identified where roads infrastructure compliance deficiencies were identified | Management should develop a Roads Maintenance plan, a priority list, align its SCM policy to establish practice requirements of the Standard for Infrastructure Procurement and Delivery Management (SIPDM) issued by National Treasury and include these findings in its Audit Action Plan. | Leadership: Exercise oversight responsibility regarding financial and performance reporting | IDP /P MS | M u ni ci p al M a n ag er | Developed Road maintenance plan | annually | SCM | NO | - SCM to implement a roads maintenance plans and align it with the SCM policies. - Establish practice requirements of the Standard for Infrastructure Procurement and Delivery Management (SIPDM) issued by National Treasury to align it with the plan. - CFO approve the maintenance plans. | |

| No | EX C # | Exception Heading | Summary of Finding | Suggested Control Improvements | Nature | Direct orate | H O D | POE | Time Line | Responsible Official | Reoccurring | Step by step action plan |
|----|--------|--|---|--|-----------------------------|--------------|-------|---|---------------------|----------------------|-------------|---|
| 63 | 89 | Difference identified between property | During the audit a difference was identified between property | Management should review the financial statements to ensure that agree to the supporting information submitted to be audited | Internal Control Deficiency | BT O | C F O | Review of amounts disclosed on the AFS to agree with the supporting | throughout the year | FINANCE & HR HOD | no | -Finance to perform thorough review of the amounts disclosed on the AFS and its supporting documentation. |

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|--------|--|--|---|-----------------------------|------|-------|---|------------------------|-------------------|-----|---|
| | | y market values disclosed on AFS and market values on valuation roll | market values disclosed on AFS and market values on valuation roll | | | | | documentatio n. | | | |
| 6 4 | Revenu e - Remaining Population - Non submiss ion of | During the audit, a number of findings were identified where information requested for service | Management should ensure that all information requested within a RFI should be submitted at once, completely and accurately. Also, a proper filing system could be implemented to allow for | Internal Control Deficiency | BT O | C F O | - Filing system in place to easily access information requested. - thorough review of documents before submitting | On - a -need -to basis | FINAN CE & HR HOD | yes | - Finance to keep proper records used as supporting documentation and conduct frequent check of information used as supporting documentation of AFS |

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|--|--|-------------|---|---|--|--|--|--|--|--|--|--|
| | | Information | charges, sales of goods and rendering of services and service charges were not submitted. | easy access of information and to ensure that the information requested is readily available. | | | | | | | | |
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ANNEXURE D

2018/19 ADJUSTED ANNUAL PERFORMANCE REPORT

| KPA1 : INSTITUTIONAL DEVELOPMENT AND DESIGN WEIGHT: 20 | | | | | | | | | | | |
|--|--|--|--|--|--|----------|----------------------|--------------------|-------|--------|-----------------|
| Strategy | Objective | Key Performance Indicator | Annual Target | Baseline | 2018/19 Actual Performance | Snapshot | Reasons for variance | Corrective actions | Score | KP1 NO | Adjusted Budget |
| Improve Organisational Cohesion and Effectiveness | To continuously improve performance at all levels of the municipality by 2018 and beyond | Number of individual performance reviews conducted by 30 June 2019 | Two(2) performance reviews to be conducted by the relevant Heads of Departments to each middle manager within the Municipality by 30 June 2019 | 2017/18 Section 56 Managers Performance reviews. | Achieved as Two(2) performance reviews to be conducted by the relevant Heads of Departments for each middle manager per department within the Municipality by 30 June 2019 | 6 | Not Applicable | Not Applicable | 3 | IDD1 | 0 |

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|--|---|---|--|-----------------------------------|--|---|--|--|---|------|------------|
| | To ensure continuous implementation of Municipal vision and mission through Human Resources Management plan | Periodic reports on the implementation of Human Resource Plan by 30 June 2019 | Implementation of Human Resources Plan by 30 June 2019 | Human Resource Plan in place | 1 Quarterly report on implementation of Human Resource Plan by 30 June 2019 | ✗ | The evidence is insufficient as the Human Resource procedure manual not developed. | Target will be achieved in 2019/20 Financial year. | 1 | IDD2 | 0 |
| | To ensure effective and efficient records management | Number of activities implemented in the Records Management System by 30 June 2019 | Implementation of Records Management System (Record Management Policy,File Plan & Procedure Manual) by 30 June 2019. | Record Management System in place | Achieved as Records Management System Implemented (Record Management Policy,File Plan & Procedure Manual) by 30 June 2019. | ✓ | Not Applicable | Not Applicable | 3 | IDD3 | R62 000.00 |

| KPA 2 :QUALITY BASIC SERVICE DELIVERY AND INFRASTRUCTURE DEVELOPMENT WEIGHT: 20 | | | | | | | | | | | |
|--|--|--|---|--|--|----------|--|---|-------|--------|-----------------|
| Strategy | Objective | Indicator | Annual Target | Baseline | 2018/19 Actual Performance | Snapshot | Reasons for Variance | Corrective Actions | Score | KP1 NO | Adjusted Budget |
| To manage quality basic services provisioning in order to ensure rendering of sustainable and affordable services to the communities of Ngquushwa by 2022 and beyond | To manage administration and implementation of capital projects for Internal roads and community halls | Surfacing of 1.8km of Peddie Town Street Phase 1 by 30 June 2019 | Completion of 1.8km surfacing of Peddie Town Street Phase 1 by 30 June 2019 | Phase 1 Surfacing of Peddie Town Streets | Achieved as Surfacing of 1.8km Peddie Town Street Phase 1 completed by 30 June 2019 | Green | Not Applicable | Not Applicable | 3 | QBS D1 | R9 328 506.00 |
| | | Surfacing of 1.5 km of Peddie Town Streets Phase 2 by 30 June 2019 | Completion of 1.5km surfacing of Peddie Town Street Phase 2 (Power) by 30 June 2019 | Phase 1 Surfacing of Peddie Town Streets | Not Achieved as 1,47km of Peddie Town Street Phase 2 surfaced against the 1,5km that should be surfaced by 30 June 2019. | Red | There were defects on sites and the contractor had to rectify 0,03km accordingly | The remaining 0,03km will be surfaced and completed in 2019/20 financial year | 1 | QBS D2 | R3 483 897.00 |

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| | | Number of Community Halls Constructed by 30 June 2019 | Construction of one Community Hall in Shushu by 30 June 2019 | Appointment of contractor for the Construction of Shushu Community Hall. | Achieved as one (1) community hall constructed in Shushu by 30 June 2019. | 6 | Not Applicable | Not Applicable | 3 | QBS D3 | R453 339.00 |
| | | Number of Community Halls Constructed by 30 June 2019 | Construction of one Community Hall in Mthombe by 30 June 2019 | Not Applicable | Achieved as one (1) community hall constructed in Mthombe by 30 June 2019. | 6 | Not Applicable | Not Applicable | 3 | QBS D4 | R1 545 986.00 |
| | | Number of Community Halls Constructed by 30 June 2019 | Construction of one Community Hall in Mabhongo by 30 June 2019 | Not Applicable | Achieved as one (1) community hall constructed in Mabhongo by 30 June 2019. | 6 | Not Applicable | Not Applicable | 3 | QBS D5 | R1 600 663.00 |

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| | | Number of Community Halls Constructed by 30 June 2019 | Construction of one Community Hall in Dube by 30 June 2019 | Not Applicable | Achieved as one (1) community hall constructed in Dube by 30 June 2019. | 6 | Not Applicable | Not Applicable | 3 | QBS D6 | R1 334 279.00 |
| | | Number of Community Halls Constructed by 30 June 2019 | Construction of one Community Hall in Mtati by 30 June 2019 | Not Applicable | Achieved as one (1) community hall constructed in Mtati by 30 June 2019. | 6 | Not Applicable | Not Applicable | 3 | QBS D7 | R1 381 015.00 |
| | | Number of Community Halls Constructed by 30 June 2019 | Construction of one Community Hall in Bingqala by 30 June 2019 | Not Applicable | Achieved as one (1) community hall constructed in Bingqala by 30 June 2019. | 6 | Not Applicable | Not Applicable | 1 | QBS D8 | R1 499 181.00 |

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|--|--|---|--|----------------|---|---|---|--|---|---------|---------------|
| | | Number of Community Halls Constructed by 30 June 2019 | Construction of one Community Hall in Ndlovini (Peddie Location) by 30 June 2019 | Not Applicable | Achieved as one (1) community hall constructed in Ndlovini (Peddie Location) by 30 June 2019. | 6 | Not Applicable | Not Applicable | 1 | QBS D19 | R800 000.00 |
| | | Number of KM constructed by 30 June 2019 | Construction of Qhugqwala Internal Streets (5km) by 30 June 2019 | Not Applicable | Achieved as 5km Internal road constructed in Qhugqwala by 30 June 2019 | 6 | Not Applicable | Not Applicable | 3 | QBS D10 | R1 911 255.00 |
| | | Number of KM constructed by 30 June 2019 | Construction of Mpekweni Internal Roads (7.5km) by 30 June 2019 | Not Applicable | Not Achieved. No Kilometer (0 KM) of Mpekweni Internal Road constructed against 7,5km that should be constructed by 30 June 2019. | 9 | Due to budget limitation only Mpekweni contractor appointed in 2018/19 financial year.. | Mpekweni Internal Road will be constructed in 2019/20 financial year.. | 1 | QBS D11 | R1 753 337.00 |

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|--|--|--|--|----------------|--|---|---|--|---|---------|---------------|--|
| | | Number of KM constructed by 30 June 2019 | Construction of Runletts Internal Roads (5km) by 30 June 2019 | Not Applicable | Achieved as 5km Internal road constructed in Runletts by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | QBS D12 | 2 210 823.00 | |
| | | Number of KM constructed by 30 June 2019 | Construction of Wesley Internal Roads (5km) by 30 June 2019 | Not Applicable | Achieved as 5km Internal road constructed in Wesley by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | QBS D13 | R2 201 358.00 | |
| | | Number of KM constructed by 30 June 2019 | Construction of Hamburg Internal Roads (7.5km) by 30 June 2019 | Not Applicable | Not Achieved as 1KM of Hamburg Internal Road constructed against 7,5 that should be constructed by 30 June 2019. | ✗ | Due to budget limitation only 1km of Hamburg Internal Road constructed against 7,5km that should be constructed | Hamburg Internal road will be completed in 2019/20 financial year. | 1 | QBS D14 | R2 114 461.00 | |

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| | To manage the provision of electrical services to ensure the rendering of effective, efficient, economical and electrical maintenance services. | Number of household electrified by 30 June 2019 | Construction of electricity infrastructure of 320 households in the following villages by 30 June 2019: 1.Bhingqala (15) 2.Benton (25) 3.Sigingqini (20) 4.Ntloko (20) 5.Makhahlane (25) 6.Hlosini (25) 7.Mgababa(25) 8.Mpekweni(20) 9.Ndwayana(20) 10.Eluxolweni(25) 11.Pikoli(15) 12.Kalana (20) 13.Bodium(20) 14.Bell (15) 15.Newtondale(25) 16.Runletts (5) | 0 Household electrified | Not Achieved, as construction of electricity infrastructure completed to 196 household against 320 household by 30 June 2019 | Not Achieved, as construction of electricity infrastructure completed to 196 household against 320 household by 30 June 2019. | Construction of electricity infrastructure in 124 household not completed by 30 June 2019. | Outstanding 124 household will be completed in 2019/20 Financial year. | 1 | QBS D15 | R6 332 000.00 |
|--|---|---|---|-------------------------|--|---|--|--|---|---------|---------------|

KPA 3 :LOCAL ECONOMIC DEVELOPMENT AND SPATIAL DEVELOPMENT WEIGHT: 20

| Strategy | Objective | Indicator | Annual Target | 2017/18 Performance Baseline | 2018/19 Actual Performance | Snapshot | Reasons for Variance | Corrective Actions | Score | KP1 NO | Adjusted Budget |
|---|--|---|--|------------------------------|---|----------|----------------------|--------------------|-------|--------|-----------------|
| Strives to ensure the creation of wealth using natural resources thereby promoting sustainable economic growth. | To create an enabling environment that promotes the development of the local economy and facilitate job creation | Number of business plans developed for LED projects by 30 June 2019 | One final business plan for Aloe production developed by 30 June 2019 | 2017/18 IDP | Achieved as one final business plan for Aloe production developed by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | LED 1 | R0 |
| | | Stakeholder engagement for implementation of the BIGM Programme. | Skills development of Ngqushwa Entrepreneur's as part of Building Inclusive Green Municipalities(BIGM) Programme by 30 June 2019 | Not Applicable | Achieved as Skills development of Ngqushwa Entrepreneur's as part of Building Inclusive Green Municipalities(BIGM) Programme was done by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | LED 2 | R39 000.00 |

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| | To ensure effective, efficient and economic coastal management of the environment by 2022 and beyond. | Number of workshops conducted for implementation of Coastal Management Plan | Conduct 4 Coastal Management workshops by 30 June 2019 | Coastal Management Plan | Achieved as 4 coastal management workshop conducted by June 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | CS1 | R0 | |
| | To manage the rendering of efficient and sustainable traffic and law enforcement services to all road users and public. | Number of Roadblocks and Workshops conducted by 30 June 2019 | Eight(8) roadblocks to be conducted and one quarterly awareness workshops to be conducted by 30 June 2019. | Three (3) roadblocks and One(1) awareness workshop conducted | Achieved as Eight(8) roadblocks and one quarterly awareness workshops conducted by 30 June 2019. | ● | Not Applicable | Not Applicable | 3 | CS2 | R0 | |
| | To ensure that spatial planning responds to Social, economic, environmental and cultural needs to promote | To review and implement wall to wall SPLUMA compliant Spatial Development Framework (SDF) | Number of Municipal Spatial Development Framework(SDF) reviewed by 30 June 2019 | One reviewed and approved 5 year Municipal Spatial Development Framework(SDF) by 30 June 2019 | Approved 5 year Municipal SDF | Achieved as reviewed Municipal SDF submitted to Council for approval by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | SP1 | R72 500.00 |

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| sustainable livelihood in accordance with SPLUMA principles and the NDP. | To create community awareness of planning and building Policies and Legislation | Number of awareness campaigns conducted by 30 June 2019 | Conducting 2 awareness campaign on Planning and Building by Laws by 30 June 2019 | One 2016/17 Awareness campaigns were conducted | Achieved as two (2) awareness campaigns on Planning and building by laws conducted by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | SP2 | R0 | |
| | To improve assessor register (immovable property); revenue generation and compliance with zoning regulations | Number of Land Audit Survey compiled by 30 June 2019 | One land Audit Survey compiled by 30 June 2019 | ADM Land Audit Survey | Achieved as one Land Audit Survey Compiled by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | SP3 | R220 000.00 | |
| | To review and implement a Housing Sector Plan(HSP) to facilitate planning and development of Human Settlements | Draft reviewed and Adopted Housing Sector Plan by 30 June 2019 | Reviewed and approved 5 year Housing Sector Plan by 30 June 2019. | 2017/18 Housing Sector Plan | Not Achieved as Housing Sector Plan not reviewed and approved by 30 June 2019 | ✗ | Human Settlement Sector Plan could not be achieved due to unforeseen delays caused by non availability of Sector Department. | The target will be completed and achieved in 2019/20 financial year. | 1 | SP4 | R27 132.00 | |

| KPA 4 : FINANCIAL VIABILITY AND MANAGEMENT WEIGHT :20 | | | | | | | | | | | |
|---|--|--|--|--|--|----------|----------------------|--------------------|-------|--------|-----------------|
| Strategy | Objective | Indicator | Annual Target | Baseline | 2018/19 Actual Performance | Snapshot | Reasons for Variance | Corrective Actions | Score | KP1 NO | Adjusted Budget |
| To be a financial viable municipality (self - sustainability) | Ensuring sound financial planning and reporting through budget management best practices and inter departmental coordination | Draft Annual Financial Statements by 30 June 2019 | Development of GRAP compliant Annual Financial Statements by 31 August 2018 | 2016/17 Audited Financial Statements | Achieved as GRAP compliant Annual Financial Statement developed by 31 August 2018 | ● | Not Applicable | Not Applicable | 3 | BTO 1 | R4 897 782.00 |
| | | Draft Interim Financial Statements by 30 June 2019 | Development of GRAP compliant Interim Financial Statements by 31 March 2019 | 2017/18 Interim Financial Statements | Achieved as GRAP compliant Interim Financial Statement developed by 31 March 2019 | ● | Not Applicable | Not Applicable | 3 | | |
| | Implementing Sound Revenue and debt management Practices through revenue Maximization. | Draft Three year financial Recovery Plan by 30 June 2019 | Development and Implementation of the Final Three Year Financial Recovery Plan by 30 June 2019 | Draft Three Year Financial Recovery Plan | Achieved as Final Three Year Recovery Plan was developed and implemented by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | BTO 2 | |

| KPA 5 :GOOD GOVERNANCE AND PUBLIC PARTICIPATION WEIGHT: 20 | | | | | | | | | | | |
|---|--|---|--|--------------------------------------|--|----------|----------------------|--------------------|-------|--------|-----------------|
| Strategy | Objective | Indicator | Annual Target | Baseline | 2018/19 Actual Performance | Snapshot | Reasons for Variance | Corrective Actions | Score | KP1 NO | Adjusted Budget |
| To promote a culture of good governance and stakeholder involvement | To continuously ensure effective, economical and compliant integrated planning | Review of 2018/2019 IDP by 30 June 2019 | Approved Reviewed 2018/2019 IDP by 30 June 2019 | 2017/2022 IDP reviewed and approved. | Achieved as 2018/19 IDP reviewed and approved by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | GGP P1 | R315 689.00 |
| | To strengthen communication with Internal and external stakeholders by providing accurate, timeous, and complete information about municipal policies and programmes | Number of programmes Implemented in the Communication Action Plan by 30 June 2019 | 20 programmes implemented in the Communication Action Plan by 30 June 2019 | 2017/18 Communication Action Plan | Achieved as 20 programmes implemented in the Communication Action Plan by 30 June 2019 | ● | Not Applicable | Not Applicable | 3 | GGP P2 | R69 845.00 |

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| | To continuously ensure that NLM has and maintains an effective process of risk management | Draft Institutional Strategic Risk Register by 30 June 2019 | Annual Risk assessment workshop by 30 June 2019 | 2017/18 Formal Annual Risk Assessment not conducted. | Achieved as Annual Risk Assessment workshop conducted by June 2019 | Not Applicable | Not Applicable | 3 | GGP P3 | R10 827.00 |
| | To provide value-added and trusted assurance, consulting and advisory services to Council | Draft 2018/19 Internal Audit Plan by 30 June 2019 | Approved 2018/19 Annual Internal Audit Plan by 30 June 2019 | Approved 2017/18 Annual Internal Audit Plan by 30 June 2019 | Achieved as Annual Internal Audit Plan approved by 30 June 2019 | Not Applicable | Not Applicable | 3 | GGP P4 | R0 |
| | To strengthen participatory democracy by ensuring that all stakeholders are involved in decision making | Conduct 2017/18 Annual Report Roadshows by 30 June 2019 | Conduct 2017/18 Annual Report Roadshows by 30 June 2019 | 2016/17 Annual Report Roadshows | Achieved as 2017/18 Annual Report Roadshows conducted by 30 June 2019 | Not Applicable | Not Applicable | 3 | GGP P5 | R167 328.00 |

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|--|---|--|--|--|--|----------------|----------------|---|--------|----------------|
| | Provide and encourage provision of multiple opportunities for Youth to develop, master and apply critical life and employment skills for sustainability of Youth programmes | Number of Learners enrolled for New Venture Creation Learnership by 30 June 2019 | 440 Learners enrolled for New Venture Creation Learnership by 30 June 2019 | Appointment of Service Provider for New Venture Creation Learnership . | Achieved as 440 Learners enrolles for New Venture Creation Learnership by 30 June 2019 | Not Applicable | Not Applicable | 3 | GGP P6 | R15 000 000.00 |
|--|---|--|--|--|--|----------------|----------------|---|--------|----------------|

ANNEXURE E
NGQUSHWA MUNICIPALITY
AUDIT COMMITTEE REPORT TO COUNCIL

Report of the Audit Committee

We present our report for the financial year ended 30 June 2019.

ROLE AND RESPONSIBILITY OF THE AUDIT COMMITTEE

The function of the Audit Committee (hereinafter referred to as the Committee) is primarily to assist the Ngqushwa Municipality (hereinafter referred to as the Council) in discharging its duties relating to the safeguarding of assets, the operation of adequate systems, control processes and the preparation of financial reports and statements.

The Committee operates in terms of section 166 of the Municipal Finance Management Act (MFMA), Act No. 56 of 2003 and has endeavoured to comply with its responsibilities arising from those requirements.

The Committee has performed its duties according to its terms of reference in the form of an approved Audit Committee Charter which stipulates amongst other issues the primary purpose of the Committee, which is:

- To monitor the integrity of the Council's financial statements and announcements relating to its financial performance, reviewing significant financial reporting judgements;
- To review the effectiveness of the Council's internal controls and risk management systems;
- To monitor the effectiveness of the internal audit function and review its material findings; and,
- To oversee the relationship with the internal and external auditors, including agreeing to the latter's audit fees and terms of engagement, monitoring their independence, objectivity and effectiveness.

The Committee has no executive function and its primary objective is to review and challenge rather than assume responsibility for any matters within its remit.

AUDIT COMMITTEE MEMBERS AND ATTENDANCE

The audit committee consists of the members listed hereunder and should meet at least 4 times per annum as per its approved terms of reference. In terms of the Audit Committee Charter, the committee should consist of a minimum of 3 members. The current audit committee held 7 meetings during the year under review (including the review of annual financial statements):

| Name of Member | # of Meetings Attended |
|----------------|------------------------|
| WA Plaatjes | 7 |
| C Sparg | 6 |
| V Hlehliso | 4 |
| PH Songo | 1 |

The committee meetings are also attended by the Mayor, the Chair of MPAC, the Municipal Manager, Chief Financial Officer, Provincial Treasury, CoGTA, ADM, Internal and External Auditors (AG).

THE EFFECTIVENESS OF INTERNAL CONTROL

The system of internal control was not entirely effective for the period under review. During the period under review, several deficiencies in the system of internal control and/or deviations were identified by the audit committee and the internal auditors. Management has committed to working on improving the internal control environment and the committee will continue to monitor the improvement.

INFORMATION AND COMMUNICATIONS TECHNOLOGY (ICT)

The committee recommended that ICT activities be adequately budgeted, as the risks may outweigh the cost. The AC recommends that IT Security management and The Open Architecture Framework be expedited for the implementation of ICT governance framework phase two. An off-site backup is a challenge; if not addressed, this could affect the entire institution. An internal network vulnerability assessment indicates that key controls are not functioning effectively as intended, thereby exposing the IT environment to unnecessary risk. This was not addressed fully by financial year-end.

RISK MANAGEMENT

A risk assessment was conducted during the year. The risk action plans are derived from the risk registers and are mainly constituted by suggested control improvements to address risks that may negatively affect the institution's ability to achieve its objectives. At the financial year-end, the overall implementation status in respect of strategic risks was 67% and 77% for operational risks. Management indicated that risk management now forms part of the performance agreements of senior managers.

PERFORMANCE MANAGEMENT

The overall performance of the institution was 88% for the 2018/19 financial year (72% in 2017/18). The Audit Committee was satisfied that performance has remained elevated notwithstanding the cash flow constraints experienced by the institution during the financial year. The Audit Committee was part of the panel to evaluate the performance of senior management. The cascading of PMS still remains a challenge in the municipality.

COMPLIANCE WITH THE MFMA, THE ANNUAL DIVISION OF REVENUE ACT AND ANY OTHER APPLICABLE LEGISLATION

A non-compliance audit disclosed a number of non-compliance matters. At financial year-end, these weaknesses were not fully addressed. No investigations were initiated by the Audit Committee or referred to the Audit Committee by Council. The Municipal Finance Management Act 56 of 2003 Municipal Supply Chain Management Regulations, section 42, Performance Management, states that a supply chain management policy must provide for an effective internal monitoring system in order to determine, on the basis of a retrospective analysis, whether the authorised supply chain management processes are being followed and whether the desired objectives are being achieved.

An audit of the SCM has uncovered a number of material control environment weaknesses and is very concerning to the Audit Committee. These weaknesses were not addressed fully at financial year-end.

Evaluation of the Financial Statements

The Audit Committee has:

- Reviewed and discussed the unaudited annual financial statements that were submitted to the AG for review;
- Reviewed changes in accounting policies and practices;
- Reviewed the municipality's compliance with legal and regulatory provisions;
- Reviewed the information on pre-determined objectives to be included in the annual report, and Reviewed significant adjustments used in the compilation of the annual financial statements.

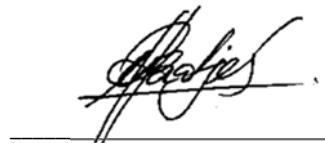
INTERNAL AUDIT

The Audit Committee is satisfied that the internal audit function is operating effectively and that it has addressed the risks pertinent to the municipality during the year under review. The Internal Audit unit, audited the year-end AFS under the supervision of Provincial Treasury.

Internal Audit has noted red flags relating to fraud relating to sick leave and fleet management. The latter audits were not finalised at financial year-end. The municipality is using Presidential Fraud Hotline.

AUDITOR-GENERAL SOUTH AFRICA

The Audit Committee has met with the Auditor General during the year to ensure that there are no outstanding issues relating to the Municipality.



Prof. W Plaatjes

Chairperson of the Audit
Committee Date: 16 January 2020

ANNEXURE F
MPAC OVERSIGHT REPORT

| Items | Page No. |
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| 1. Introduction and Background | 3 |
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| 3. Composition of MPAC and attendance of Meetings | 4 |
| 4. Accountability Framework | 4 |
| 5. Municipal Public Accounts Committee Public Consultation Meetings On 2018/2019 Annual Report | 5 |
| 6. Recommendation Pertaining to 2018/2019 Annual Report | 6 |
| 7. Recommendations Pertaining to Oversight Report | 6 |

1. INTRODUCTION AND BACKGROUND

MPAC has an obligation to exercise an oversight role over the executive obligations of Council, therefore a resolution was taken in Council for MPAC to consider and evaluate the Municipality's 2018/2019 Draft Annual Report and further recommend to Council the adoption of the Annual Report in terms of section 129 of the Municipal Finance Management Act.

The functions of the Oversight Committee on the Annual report are to:

- Undertake a review and analysis of the Annual Report
- Invite, receive and consider inputs on the Annual Report
- Consider written comments received on the Annual Report from the members of the public
- Receive and consider Councils' Audit Committee views and comments on the annual financial statements and the performance report
- Prepare the Oversight Report to be tabled before Council for consideration

2. STATUTORY COMPLIANCE

The process for the finalisation and approval of the 2018/2019 Annual Report was conducted as per the table below:

| ACTIVITY DESCRIPTION | PROVISION |
|--|--|
| Preparation of annual financial statements of the municipality and submission to the Auditor-General | MUNICIPAL FINANCE MANAGEMENT ACT Section 122(1)(2) |
| Receipt of final audit report from Auditor-General | MUNICIPAL FINANCE MANAGEMENT ACT Section 126(3)(b) |
| Tabling of Final Draft Annual Report in Council by Mayor | MUNICIPAL FINANCE MANAGEMENT ACT Section 127(2) |
| Allowing for comment by community and relevant state organs | MUNICIPAL FINANCE MANAGEMENT ACT Section 127(5)(a) & (b) |
| Corrective actions to AG's opinion formulated and tabled in Council | MUNICIPAL FINANCE MANAGEMENT ACT Section 121(3)(g) |

| | |
|---|--|
| Submission of Annual Report and Oversight Report to AG, Provincial Treasury and MEC: Local Government | MUNICIPAL FINANCE MANAGEMENT ACT Section 129(2)(b) |
| Communication of final Annual Report / Oversight Report (Website, hard copies and other mediums) | MUNICIPAL FINANCE MANAGEMENT ACT Section 129(3) |
| Submit Annual Report / Oversight Report to the provincial legislature | MUNICIPAL FINANCE MANAGEMENT ACT Section 132 (1) (2) |

3. COMPOSITION OF NGQUSHWA LOCAL MUNICIPALITY MUNICIPAL PUBLIC ACCOUNTS COMMITTEE AND ATTENDANCE OF MEETINGS

- Ordinary Meetings

| COUNCILLOR NAME | PORTFOLIO | DATES OF ORDINARY MEETINGS | | | | |
|---------------------|-------------|----------------------------|------------|------------|------------|--|
| | | 20-09-2018 | 11-12-2019 | 25-02-2019 | 17-04-2019 | |
| Cllr. N. Mquqo | Chairperson | No | Yes | Yes | Yes | |
| Cllr. L. Moyeni | Member | Yes | Yes | Yes | Yes | |
| Cllr. N. Mtati | Member | Yes | Yes | Yes | Yes | |
| Cllr. R. Taylor | Member | No | Yes | Yes | Yes | |
| Cllr. N.V. Gxasheka | Member | Yes | Yes | Yes | Yes | |
| Prince N. Mhlauli | Member | No | No | Yes | Yes | |

- Special Meetings

| COUNCILLOR NAME | PORTFOLIO | DATES OF SPECIAL MEETING | | | | |
|-----------------|-------------|--------------------------|------------|------------|------------|--|
| | | 24-07-2018 | 29-08-2019 | 24-05-2019 | 12-06-2019 | |
| Cllr N. Mquqo | Chairperson | Yes | Yes | Yes | Yes | |

| | | | | | | |
|--------------------|--------|-----|-----|-----|-----|--|
| Cllr L. Moyeni | Member | Yes | Yes | Yes | Yes | |
| Cllr N. Mtati | Member | Yes | Yes | Yes | Yes | |
| Cllr R. Taylor | Member | Yes | Yes | Yes | Yes | |
| Cllr N.V. Gxasheka | Member | Yes | Yes | No | No | |
| Prince N. Mhlauli | Member | Yes | No | Yes | No | |

This Oversight Report is prepared in line with Section 129 of the Municipal Finance Management Act read in conjunction with Municipal Finance Management Act, Circular No.63.

4. ACCOUNTABILITY FRAMEWORK

The following table displays the nature of the accountability framework for local government:

| Council Structures/Directorate | Responsible for | Oversight over | Accountable to |
|--|------------------------------------|---|-------------------------------------|
| Council | Approving policy and budget | Executive Committee | Community |
| Mayor or Executive Committee | Policy, budgets, outcomes | Municipal Manager | Council |
| Municipal Manager | Outputs and implementation | The Administration | Mayor or Executive Committee |
| Chief Financial Officer and Senior Managers | Outputs and implementation | Financial Management and Operational Functions | Municipal Manager |

- The Oversight Report is the final major step in the annual reporting process of a municipality. The oversight report must consider any input from the public and council.
- The Oversight Report on the Annual Report is a product of comprehensive consideration and consultation on the Annual Report and is considered to be a report of the Municipal Council to the community disclosing the extent to which the priority needs have been met as contained in the Integrated Development Plan.

5. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE PUBLIC CONSULTATION MEETINGS ON 2018/2019 ANNUAL REPORT

| Ward | Date | Activity | Venue | Time |
|------|------------|------------------------------------|---------------------------|-------|
| 1 | 01-10-2019 | Tabling of Annual Report 2018/2019 | Tyeni Community Hall | 10H00 |
| 4 | | Tabling of Annual Report 2018/2019 | Machibi Community Hall | 10H00 |
| 2 | | Tabling of Annual Report 2018/2019 | Quqqwala Community Hall | 13H00 |
| 3 | | Tabling of Annual Report 2018/2019 | Qaukeni Community Hall | 13H00 |
| 9 | 02-10-2019 | Tabling of Annual Report 2018/2019 | Pikoli Community Hall | 10H00 |
| 11 | | Tabling of Annual Report 2018/2019 | Mgababa Community Hall | 10H00 |
| 5 | | Tabling of Annual Report 2018/2019 | Mankone Community Hall | 13H00 |
| 10 | | Tabling of Annual Report 2018/2019 | Lower Gwalana Hall | 13H00 |
| 6 | 03-10-2019 | Tabling of Annual Report 2018/2019 | Feni Community Hall | 10H00 |
| 12 | | Tabling of Annual Report 2018/2019 | Wesley Community Hall | 10H00 |
| 5 | | Tabling of Annual Report 2018/2019 | Crossroads Community Hall | 13H00 |

| | | | | |
|---|--|------------------------------------|-------------------------------|-------|
| 8 | | Tabling of Annual Report 2018/2019 | Ncumisa Kondlo Community Hall | 13H00 |
|---|--|------------------------------------|-------------------------------|-------|

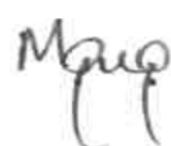
Subsequent to the conclusion of the Annual Roadshows (as per table above), The Municipal Public Accounts Committee convened on the 17 January 2020 and on the 21 January 2020, to consider the public inputs received on the 2018/19 Draft Annual Report and to assess the compliance of the Oversight Report with the guidelines set out in Circular 63 of the MFMA. Issues were raised with the Municipal Manager and upon re-assessment in January 2020, all the raised issues were rectified and the report was found to be compliant with the Municipal Finance Management Act, Circular 63.

6. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE RECOMMENDATIONS PERTAINING TO THE 2018/2019 ANNUAL REPORT

- The Municipal Public Accounts Committee having considered the 2018/2019 Annual Report recommends to Council the Adoption of the 2018/2019 Annual Report with no reservations in terms of section 129 (1) (a) of the Municipal Finance Management Act.

7. MUNICIPAL PUBLIC ACCOUNTS COMMITTEE RECOMMENDATIONS PERTAINING TO THE OVERSIGHT REPORT

- Accordingly, the Municipal Public Accounts Committee recommends to Council to Adopt the 2018/2019 Oversight Report of the Ngqushwa Local Municipality and representations thereof in terms of section 129 of the Municipal Finance Management Act;
- The MPAC Oversight Report be made public in accordance with the prescripts of the Municipal Finance Management Act.



Cllr. N. Mquqo
Chairperson

ANNEXURE G
KEY PERFORMANCE INDICATORS

Chapter: Organisational Transformation and Institutional Development –KPA 1

Annual performance as per key performance indicators in municipal transformation and organizational development

| | Indicator name | Total number of people (planned for) during the year under review | Achievement level during the year under review | Achievement percentage during the year | Comments on the gap |
|---|--|---|--|--|---|
| 1 | Vacancy rate for all approved and budgeted posts; | 17 | 2 | 11.76% | |
| 2 | Percentage of appointment in strategic positions (Municipal Manager and Section 57 Managers) | 0 (All filled) | 0 | 0% | There were no vacancies for Snr Management during this period |
| 3 | Percentage of Section 57 Managers including Municipal Managers who attended at least Skill development training course within the FY | 5 | 2 | 40% | Limited budget |
| 4 | Percentage of Managers in Technical Services with a | 3 | 3 | 100 % | |

| | Indicator name | Total number of people (planned for) during the year under review | Achievement level during the year under review | Achievement percentage during the year | Comments on the gap |
|---|---|---|--|--|---|
| | professional qualification | | | | |
| 5 | Level of PMS effectiveness in the DM – (DM to report) | | | | |
| 6 | Level of effectiveness of PMS in the LM – (LM to report) | | | | The municipality has cascaded the PMS to the level of Managers and practitioners and the reviews are conducted quarterly |
| 7 | Adoption and implementation of a HRD including Workplace Skills Plan | | | | It was partially implemented |
| 8 | Percentage of staff that have undergone a skills audit (including competency profiles) within the current 5 year term | 211 | 37 | 18% | Refusal by staff to sign |
| 9 | Percentage of councillors who attended a skill development training within the current 5 year term | 28 | 7 | 25% | Limited funding |

| | Indicator name | Total number of people (planned for) during the year under review | Achievement level during the year under review | Achievement percentage during the year | Comments on the gap |
|----|---|---|--|--|---------------------|
| 10 | Percentage of staff complement with disability | 211 | 2 | 0.95% | |
| 11 | Percentage of female employees | 211 | 105 | 49.76% | |
| 12 | Percentage of employees that are aged 35 or younger | 211 | 66 | 31.28% | |

Chapter: Basic Service delivery performance highlights (KPA 2)

Annual performance as per key performance indicators in water services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the FY under review (actual numbers) | Number of HH/customer reached during the FY | Percentage of achievement during the year |
|---|---|--|---------------------------------------|---|--|--|
| 1 | Percentage of households with access to | This function is rendered by District Municipality | This function is rendered by District | This function is rendered by District Municipality | This function is rendered by District Municipality | This function is rendered by District Municipality |

| | | | | | | |
|---|---|--|--|--|--|--|
| | potable water | | Municipality | | | |
| 2 | Percentage of indigent households with access to free basic potable water | This function is rendered by District Municipality |
| 3 | Percentage of clinics with access to potable water | This function is rendered by District Municipality |
| 4 | Percentage of schools with access to potable water | This function is rendered by District Municipality |
| 5 | Percentage of households in formal settlements using buckets | This function is rendered by District Municipality |

Annual performance as per key performance indicators in sanitation services (DISTRICT FUNCTION)

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the f. year under review | Number of HH/customer reached | Percentage of achievement during the year |
|---|---|--|-------------------------------------|---|-------------------------------|---|
| 1 | Percentage of households with access to sanitation services | | | | | |
| 2 | Percentage of indigent households with access to free basic sanitation services | | | | | |
| 3 | Percentage of clinics with access to sanitation services | | | | | |
| 4 | Percentage of schools with access to sanitation services | | | | | |

Annual performance as per key performance indicators in road maintenance services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the f. year under review (Actual numbers) | Number of HH/customer reached during the FY | Percentage of achievement during the year |
|---|---|--|-------------------------------------|--|---|---|
| 1 | Percentage of households without access to gravel or graded roads | 14906 | 14906 | 1440 | 1440 | 100% |
| 2 | Percentage of road | 18.8 km | 446.5 km | 32.8km | 18.8km | 57% |

| | | | | | | |
|---|--|------|-------|------|------|------|
| | infrastructure requiring upgrade | | | | | |
| 3 | Percentage of planned new road infrastructure actually constructed | 1440 | 14906 | 1440 | 1440 | 100% |
| 4 | Percentage of capital budget reserved for road upgrading and maintenance effectively used. | | | | | |

Annual performance as per key performance indicators in waste management services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (actual numbers) | Target set for the f. year under review | Number of HH/customer reached | Percentage of achievement during the year |
|---|---|--|-------------------------------------|---|-------------------------------|---|
| 1 | Percentage of households with access to refuse removal services | 15000 | Not collecting in rural areas | 15000 | 15000 | 100% |
| 2 | Existence of waste management plan | The Municipality has no Waste Management Plan. | | | | |

Annual performance as per key performance indicators in housing and town planning services

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (Actual numbers) | Target set for the f. year under review | Number of HH/customer reached | Percentage of achievement during the year |
|---|---|--|-------------------------------------|---|------------------------------------|---|
| 1 | Percentage of households living in informal settlements | Percentage not available, however the municipality has one (1) informal settlement in Hamburg with approximately 132 beneficiaries | 132 beneficiaries | 132 beneficiaries | Unknown, until a profiling is done | 100% |
| 2 | Percentage of informal settlements that have been provided with basic services | Unknown as the district is responsible for water and sanitation. No refuse service is provided | 132 beneficiaries | None | None | N/A |
| 3 | Percentage of households in formal housing that conforms to the minimum building standards for residential houses | Info not available as no official profiling and verification has been done | Unknown | None | None | None |
| 4 | Existence of an effective indigent policy | Yes | | | | |
| 5 | Existence of an approved SDF | The is an approved 5 year MSDF | | | | |
| 6 | Existence of Land Use Management System (LUMS) | Partial, only a Land Use Scheme does not exist while other components are in place i.e policies and by-laws. | | | | |

| | Indicator name | Total number of household/customer expected to benefit | Estimated backlogs (Actual numbers) | Target set for the f. year under review | Number of HH/customer reached | Percentage of achievement during the year |
|---|---|--|-------------------------------------|---|----------------------------------|---|
| 1 | Percentage of households living in informal settlements | 27,9% | 5159 | Dept. Human Settlement Indicator | Dept. Human Settlement Indicator | Dept. Human Settlement Indicator |
| 2 | Percentage of informal settlements that have been provided with basic services | None | None | None | None | None |
| 3 | Percentage of households in formal housing that conforms to the minimum building standards for residential houses | | | Dept. Human Settlement Indicator | Dept. Human Settlement Indicator | Dept. Human Settlement Indicator |
| 4 | Existence of an effective indigent policy | The Municipality has Indigent policy | | | | |
| 5 | Existence of an approved SDF | The Municipality has reviewed and approved SDF | | | | |
| 6 | Existence of Land Use Management | The Municipality is implementing SPLUMA. | | | | |

| | | |
|--|------------------|--|
| | System (LUMS) | |
|--|------------------|--|

CHAPTER: MUNICIPAL LOCAL ECONOMIC DEVELOPMENT FRAMEWORK- (KPA 3)

Annual performance as per key performance indicators in LED

| | Indicator name | Target set for the year | Achievement level during the year (absolute figure) | Achievement percentage during the year |
|---|--|---|---|--|
| 1 | Existence of LED unit | YES | | 100% |
| 2 | Percentage of LED Budget spent on LED related activities. | | | |
| 3 | Existence of LED strategy | THE MUNICIPALITY HAS AN EXISTING LED STRATEGY THAT IT IS IN A DRAFT STAGE. | | |
| 4 | Number of LED stakeholder forum meetings held | 4 | 4 | 100% |
| 5 | Plans to stimulate second economy | 0 | 0 | 0 |
| 6 | Percentage of SMME that have benefited from a SMME support program | 4 | 4 | 100% |
| 7 | Number of job opportunities created through EPWP | 39 | 29 casual workers for maintenance of heritage sites | 74 % |
| 8 | Number of job opportunities created through PPP | 0 | 0 | 0 |

Chapter: MUNICIPAL FINANCIAL VIABILITY AND MANAGEMENT (KPA 4)

Annual performance as per key performance indicators in financial viability

| | Indicator name | Target set for the year R(000) | Achievement level during the year R(000) | Achievement percentage during the year |
|----|--|--------------------------------|--|--|
| 1 | Percentage expenditure of capital budget | 42 007 630 | 42 175 664 | 100.4% |
| 2 | Salary budget as a percentage of the total operational budget | 73 595 238 | 70 771 563 | 96.2% |
| 3 | Trade creditors as a percentage of total actual revenue | 22 345 739 | 21 252 766 | 95.1% |
| 4 | Total municipal own revenue as a percentage of the total actual budget | 48 278 096 | 39 983 203 | 82.6% |
| 5 | Rate of municipal consumer debt reduction | 100% | 27.39 | 27% |
| 6 | Percentage of MIG budget appropriately spent | 32 922 000 | 32 922 000 | 100% |
| 7 | Percentage of MSIG budget appropriately spent | N/A | N/A | N/A |
| 8 | AG Audit opinion | unqualified | Qualified | N/A |
| 9 | Functionality of the Audit Committee | Yes | Yes | N/A |
| 10 | Submission of AFS after the end of financial year | Submission | Submitted | N/A |

Chapter: GOOD GOVERNANCE AND PUBLIC PARTICIPATION- (KPA 5)

| No | Indicator name | Target set for the year | Achievement level during the year (absolute figure) | Achievement percentage during the year |
|----|--|---|---|--|
| 1 | % of ward committees established | 100% | 100% | 100% |
| 2 | % of ward committees that are functional | 100% | 100% | 100% |
| 3 | Existence of an effective system to monitor CDWs | The performance of CDW's is monitored directly by Department of Cooperative Governance and Traditional Affairs, however, the office of the Speaker gives support to CDW's. | | |
| 4 | Existence of an IGR strategy | No | | |
| 5 | Effective of IGR structural meetings | Yes | | |
| 6 | Existence of an effective communication strategy | Yes | | |
| 7 | Number of mayoral imbizos conducted | None | | |
| 8 | Existence of a fraud prevention mechanism | The municipality has a fraud prevention plan and the fraud awareness workshop which is part of risk assessment workshop that is conducted on an annual basis. | | |